As of 11 a.m. ET **DJIA** 10493.95 ▲ 0.21% **FTSE 100** 5327.39 ▲ 0.29% **Nikkei 225** 9608.94 ▲ 0.38% **Shanghai Comp.** 3269.75 ▲ 1.06% **Hang Seng** 22289.57 ▲ 0.80% **Sensex** 17169.91 ▼ 0.16% **S&P/ASX 200** 4762.36 ▲ 0.92%

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THE WALL STREET JOURNAL.

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Remembering the Bhopal disaster 25 years later

Reuters

Activists shout slogans during a rally Wednesday to mark the 25th anniversary of the gas disaster in Bhopal, India. During the early hours of Dec. 3, 1984, the Union Carbide pesticide plant developed a toxic gas leak that led to the deaths of about 4,000 people and left thousands more with chronic disabilities, in what is called one of the world's worst industrial accidents.

New U.S. plan gets low grade from Afghans

Afghan officials expressed concern over U.S. President Barack Obama's aim to begin removing troops by 2011, saying that such a fixed timetable wasn't realistic for a country grappling with a spreading insurgency.

*By **Anand Gopal** in Kabul and **Zahid Hussain** in Islamabad*

In an address to his nation Tuesday, Mr. Obama outlined a strategy that included the injection of 30,000 more troops to Afghanistan followed by a withdrawal that would begin by June 2011, turning over increasing security responsibilities to the Afghans. (Please see article on page 6).

Some senior Afghan officials said that they didn't support the injection of more troops, since previous troop increases haven't been successful in pushing back the insurgency. At the same time, officials said that the talk of withdrawal could embolden the insurgency.

"We couldn't solve the Afghanistan problem in eight years, but now the U.S. wants to solve it in 18 months? I don't see how it could be done," said Segbatullah Sanjar, chief policy adviser to President Hamid Karzai.

"The announcement just gives good news to the Taliban and others," said Shukria Barakzai, a prominent lawmaker.

The Taliban said in a statement that the troop increase would strengthen their movement.

Pakistan also expressed concerns. Its foreign ministry said it will discuss the plan with U.S. officials to understand "the full import of the new strategy and to ensure that there would be no adverse fallout on Pakistan." Officials there fear that a large increase in U.S. troops could push insurgents and refugees into Pakistan.

The Obama administration has been talking with officials in Afghanistan and Pakistan in recent days to smooth the reception of the U.S. plan. Mr. Obama called Pakistan President Asif Ali Zardari on

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■ President Obama makes Afghanistan his war 6
■ Success of the new plan hinges on strength of Karzai 7

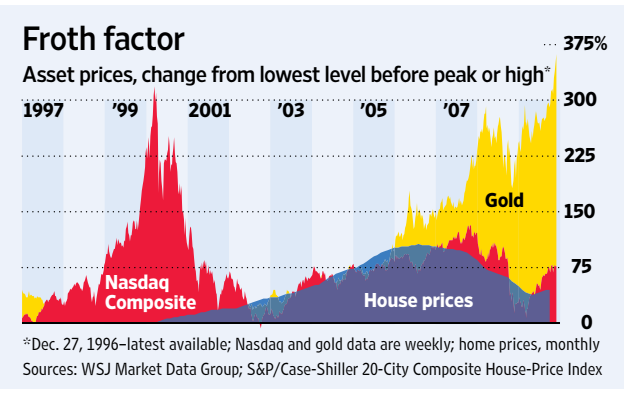
U.S. Fed debates role: bubble fighter

BY JON HILSENRATH

Not so long ago, Federal Reserve officials were confident they knew what to do when they saw bubbles building in prices of stocks, houses or other assets: Nothing.

Now, as Fed Chairman Ben Bernanke faces a confirmation hearing Thursday on a second four-year term, he and others at the U.S. central bank are rethinking the hands-off approach they've followed over the past decade. On the heels of a burst housing-and-credit bubble, Mr. Bernanke now calls financial booms "perhaps the most difficult problem for monetary policy this decade."

With Asian property prices soaring and gold prices busting records almost daily, the debate comes at a critical time. Mr. Bernanke wants to use his powers as a bank regulator to stamp out bubbles, but the Senate Banking Committee, which will grill him, is considering stripping the Fed of its regulatory power.



*Dec. 27, 1996–latest available; Nasdaq and gold data are weekly; home prices, monthly
Sources: WSJ Market Data Group; S&P/Case-Shiller 20-City Composite House-Price Index

At the same time, pending legislation in the House of Representatives could leave Mr. Bernanke running a less independent institution. The House Financial Services Committee has passed a measure that would subject the Fed's interest-rate decisions to scrutiny by the Government Accountability Office, an investigative arm of Congress. Mr. Bernanke and others at the Fed fear that with Congress looking over their shoulders, any decision they make about interest rates would be subjected to the winds of politics—making it harder to control inflation or financial bubbles.

Any changes would be months off at best, and the Fed might be successful in fending them off. In the meantime, officials are moving ahead to come up with plans to avoid another crisis.

Fed officials used to think there was little they could or should do to prevent bubbles from inflating. For one thing, identifying bubbles with any certainty was deemed to be too difficult. And even if they could be accurately pinpointed, pricking them might do more harm than good. Raising interest rates

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PAGE TWO

What's News—

* * *

Business & Finance

■ **GM's Fritz Henderson** resigned as CEO amid increasing pressure from the board, leaving the auto maker in the hands of its chairman, Edward Whitacre. Brought in by the U.S. government this summer, Whitacre will serve as interim CEO until a successor to Henderson is found. **17**

■ **Japan prepared** to boost a stimulus effort that could total over $80 billion amid the effects of deflation and a stronger yen. **3**

■ **Gold futures set** another intraday record as the metal remains supported on investor risk appetite, inflation concerns and an overall aversion to the dollar. **17**

■ **U.S. stocks drifted** between slight gains and losses as a rally for basic-materials companies was offset by declines in the financial and energy sectors. Most Asian markets ended higher. **25**

■ **Korea's Cheil Worldwide** agreed to buy Boston digital-ad firm Barbarian Group, as it looks to grow in the U.S. ad market. Terms weren't disclosed. **20**

■ **Dubai World's creditors began** formulating a plan for negotiating a restructuring of the investment conglomerate's debt to lenders and bondholders. **23**

■ **A Thai court ruled** that dozens of industrial projects in the nation's east must remain suspended due to environmental concerns. **8**

■ **Sinochem's proposed takeover** of Nufarm will likely proceed despite the Chinese firm overshooting a deadline to make a formal $2.63 billion bid, analysts said. **18**

■ **At least two candidates** for Bank of America's top job told directors that a breakup should be considered. The board has rejected that idea for now. **22**

■ **Four founding partners** of former Citigroup hedge fund Old Lane, including its ex-CEO Guru Ramakrishnan, have launched a $300 million firm that is one of the biggest U.S. hedge-fund startups of the year. **22**

■ **Siemens said** it reached a settlement with former CEO Heinrich von Pierer and five other former board members over damage claims tied to a bribery scandal at the German conglomerate. **20**

■ **Infosys said it plans** to nearly double its work force in the U.S. and remains on the lookout for acquisition targets in Germany, France and Japan. **21**

■ **Australian regulators rejected** Caltex Australia's proposed takeover of Exxon Mobil filling stations, highlighting sensitivity to deals in the gasoline sector. **20**

■ **Northrop told** the U.S. Defense Department that it may not bid on a $40 billion Air Force refueling tanker contract, raising the prospect of Boeing becoming the sole bidder. **19**

■ **McDonald's said** President and Chief Operating Officer Ralph Alvarez will retire at the end of the year for health reasons. **20**

* * *

World-Wide

■ **A meeting of WTO ministers** delivered no progress in the eight-year-old Doha Round, which has repeatedly failed in its mission of opening rich country markets to imports of food from the developing world. **3**

■ **Iran released** five British sailors, easing concern over a fresh diplomatic incident amid a difficult conflict with Western powers over its nuclear ambitions.

■ **The EU is likely** to extend duties on shoes from China and Vietnam, after three member nations unexpectedly backed away from a threat to block the extension. **4**

■ **Australian lawmakers blocked** a plan to cap greenhouse-gas emissions, but the government won't call an early election. **4**

■ **Philippine police arrested** a government militiaman for allegedly participating in last week's massacre of 57 people. The arrest could help pin down a powerful clan suspected in the attacks.

■ **Vietnam will end** a stimulus program earlier than expected as it moves to counter signs of economic overheating. **8**

■ **North Korean banks began** a currency exchange, a day later than planned due to protests. **4**

Associated Press

A Chinese honor guard waits for Canadian Prime Minister Stephen Harper to arrive in Beijing on Wednesday. China-Canada relations have soured over a series of disagreements, including Ottawa's hard line on China's human-rights record, and the four-day trip appears aimed at overcoming negative sentiment. Mr. Harper will meet with both President Hu Jintao and Premier Wen Jiabao for discussions on trade and overall ties.

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"We're not gold bears by any stretch of the imagination, because we get the concerns and fears that are out there."

-- **Erik Davidson** of Wells Fargo Private Bank

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WORLD NEWS

Tokyo moves closer to new stimulus

Weak economic recovery sparks need for package of loan guarantees for small firms, incentives for consumers to spend

By Takashi Nakamichi

TOKYO—The Japanese government moved closer on Wednesday to boosting a stimulus effort that could total more than $80 billion, according to a government official familiar with the matter, as ministers look to protect the country's still-weak economic recovery from the effects of deflation and a stronger yen.

The package would include four trillion yen ($46.1 billion) in additional stimulus spending, compared with the 2.7 trillion initially scheduled. The package is expected to finance measures such as loan guarantees for small companies and incentives for consumers to buy more energy-efficient electronics.

The package also includes an additional three trillion yen to be spent on covering local government tax revenue losses, the official said.

Also Wednesday, Japanese Prime Minster Yukio Hatoyama met with Masaaki Shirakawa, the governor of the Bank of Japan, saying afterward the government and the central bank were in agreement on the economy.

"I believe the government and the BOJ were able to share the same view; that is, we must get out of deflation as soon as possible," Mr. Hatoyama told reporters at his official residence after his meeting with Mr. Shirakawa.

The top-level meeting was held a day after the BOJ board voted to provide 10 trillion yen in three-month funds at a rock-bottom 0.1% overnight rate, a move that mollified some government critics of the bank but disappointed investors who were hoping for a more dramatic effort.

> The increase shows how concerned the cabinet has become about the fragility of the recovery.

Separately, Japan's central bank injected one trillion yen into short-term money markets Wednesday and reiterated its intent to maintain accommodative financial conditions.

The increase in the government's stimulus package demonstrates how concerned the cabinet, led by the Democratic Party of Japan, has become about the fragility of the country's economic recovery as falling prices and a surging domestic currency hit corporate profits.

The government is expected to submit a supplementary budget—the second in the current fiscal year ending March 2010—to parliament over the coming weeks for approval of the stimulus steps.

The official said the four trillion yen policy expenditure wouldn't require additional government bond sales, which could worsen the country's already poor fiscal health.

Tokyo plans to raise the money by tapping into 2.7 trillion yen saved through restructuring the previous government's first extra budget, as well as excess funds that are being set aside for interest payments on public debt and rainy-day government funds, the official said.

Japan's central government redistributes a fixed proportion of its tax revenues to local governments every year. Because of shrinking national tax receipts, the tax redistribution for the current fiscal year should be about three trillion yen less than initially scheduled, the official said. The new plan being considered, however, would pay local governments as much as originally planned, though municipalities would be required to pay it back in coming years in the form of reductions in redistributed tax income, the official said.

AFP/Getty Images

Japanese Prime Minister Hatoyama after meeting with BOJ Governor Shirakawa.

Global finger-pointing dominates WTO summit

By John W. Miller

GENEVA—The first meeting in four years of ministers from the World Trade Organization's 153 nations delivered no progress in the eight-year-old Doha Round, which has repeatedly failed to achieve its stated mission of opening rich country markets to imports of food from the developing world.

In all countries, "people are afraid" of another trade deal, says U.S. Trade Representative Ron Kirk. "Trade has provided a way for people to have fresh produce, cheap T-shirts, available electronics, but the pain of trade is very real."

The value of global trade is expected to fall 9% this year, according to the WTO.

Voters and politicians in every country are worried about protecting jobs, say trade officials and analysts. Almost no nation has the "political clarity" needed to sign Doha, said a Bolivian delegate.

"The U.S. has been made to be the whipping boy but reservations about liberalization are far more widespread," says Simon Evenett, a professor at the University of St. Gallen in Switzerland.

U.S. President Barack Obama still believes the Doha Round can be concluded during his first term, said Mr. Kirk, in an interview with The Wall Street Journal. "But trade is a contract, it's a deal, and you only have a deal if you get something and I get something."

What is currently on the table doesn't deliver "meaningful market access in the part of the world that will be growing and driving GDP growth over the next few years," he says, in a reference to countries like China, India and Brazil.

In exchange for opening up its agricultural markets, the U.S. had demanded that countries such as Brazil and India open their markets for industrial goods like heavy machinery, factory parts and subway cars.

They have agreed to some tariffs cuts, but not enough to satisfy U.S. officials. "We're taking that message to people bilaterally," he says. Mr. Kirk met twice during the summit in Geneva this week with Indian Trade Minister Anand Sharma.

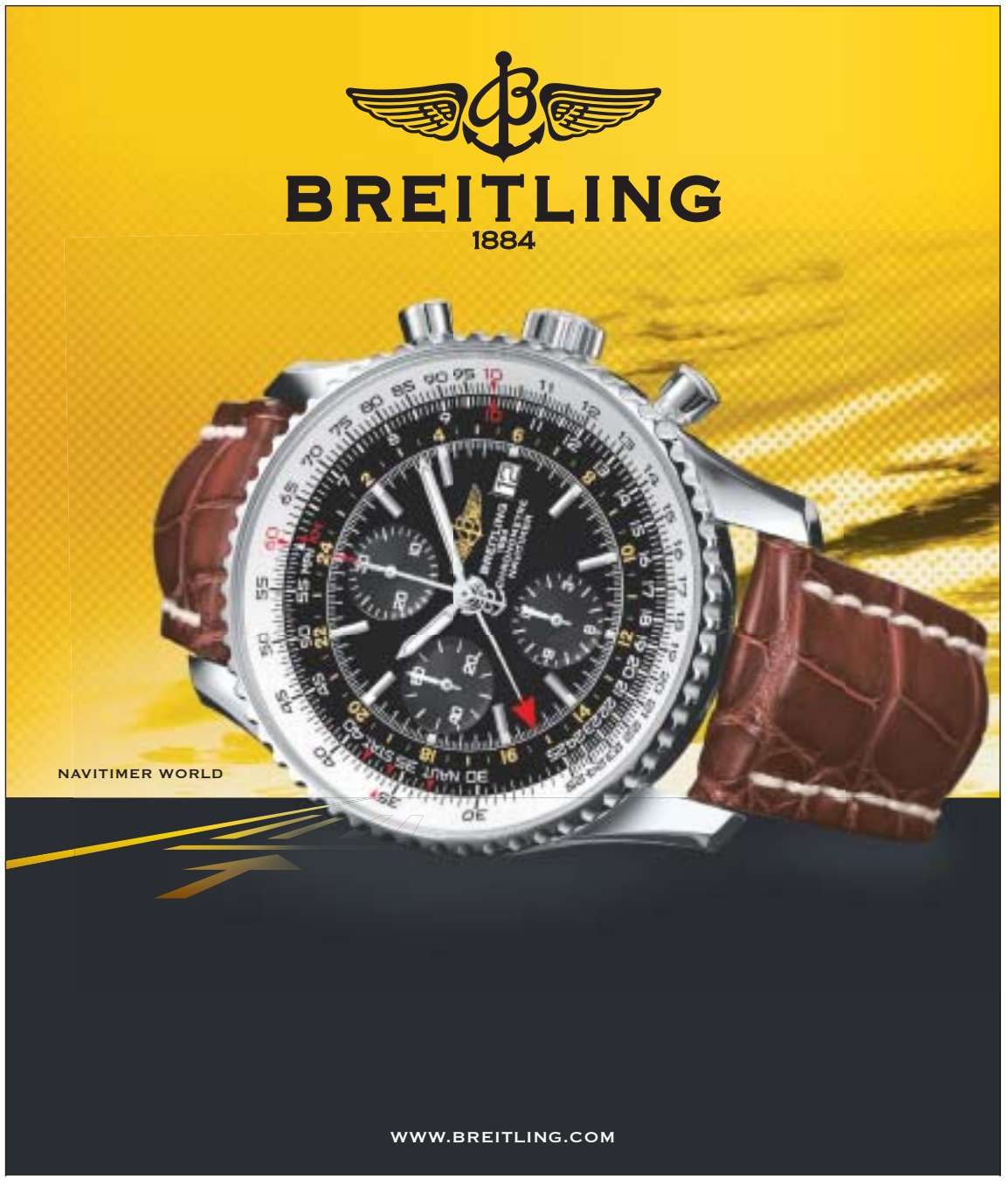
There was no reason to settle an unsatisfactory Doha deal "just because we've been at it a long time," says Mr. Kirk.

The WTO's first summit in four years lacked the importance of previous gatherings. On the 10th anniversary of violent street protests nicknamed the Battle in Seattle, only a few hundred protesters showed up every day.

"The focus has moved to the climate summit in Copenhagen," said Olivier De Marcellus, an anti-WTO activist. "And then let's face it, the WTO has been doing this for eight years and doesn't have a deal yet."

Ministers had to content themselves with side deals. A group of 22 developing countries signed a separate deal to cut tariffs on industrial goods by at least 20%.

The European Union and Latin American countries made some progress on a deal that would allow **Chiquita Brands** Inc. and **Dole Food Company** Inc. to sell more bananas in the EU.



Australia carbon plan rejected

Government to bring program back in February; another failure could mean election in March

By Rachel Pannett

CANBERRA—The Australian government won't call an early election after lawmakers blocked its plan to cap the country's greenhouse-gas emissions, acting Prime Minister Julia Gillard said.

Instead, the government will reintroduce the plan to Parliament for a third time in February in the hope of convincing the opposition to support it. The government held off on making an election call over the Christmas and New Year period, the peak summer vacation period for Australians.

By vowing to reintroduce the same amended carbon program that as late as Monday had enough opposition support to pass, the center-left Labor government is putting pressure on new opposition leader Tony Abbott to come up with a viable alternative.

If Parliament votes against the plan again in February, as is likely at this stage, the government could call an early election for March.

Prime Minister Kevin Rudd appeared earlier to have the votes locked up to secure his carbon program's approval, after reaching a deal with then-opposition leader Malcolm Turnbull a week ago that provided billions of dollars of compensation to affected industries in return for conservatives' support.

But the deal fell apart Tuesday when the main opposition Liberal Party voted 42 to 41 to oust Mr. Turnbull in favor of the conservative faction leader, Mr. Abbott.

Ms. Gillard said reintroducing in February the same amended plan agreed to by Mr. Turnbull would give opposition lawmakers time to reconsider their position, given they may have been distracted from the carbon debate by this week's internal leadership battle.

The acting prime minister said she hopes the government will prevail once lawmakers have had a long summer recess to consider their position.

"We all know the Liberal Party is deeply divided on this issue and there have been many Liberal voices prepared to speak up for the national interest and to speak in favor of our plan to tackle climate change," Ms. Gillard said. "They have been stopped by the Liberal Party extremists and the climate-change deniers."

Lawmakers in the upper house Senate voted Wednesday to dismiss the Carbon Pollution Reduction Scheme, which had aimed to reduce Australia's emissions by at least 5% compared with turn-of-the-century levels by 2020.

Two Liberal Senators crossed the floor and voted with the government. Mr. Rudd would need to convince five more to back his plan to gain an upper house majority.

Under Australia's constitution, the latest rejection of the carbon bills gives the government the right to call an early election after an earlier plan was blocked in August. Ahead of the vote, Mr. Rudd had said it is his preference to govern for a full term.

Failure to pass the carbon bills Wednesday is a political setback for Mr. Rudd, who will now be without a long-coveted domestic emissions trading program when he goes to Copenhagen for global climate talks this month.

It also provides further evidence of the difficulty in achieving consensus on addressing climate change, even in countries such as Australia where steps to reduce emissions have broad popular support.

"It's always easier in politics to frighten people than it is to inspire change but this is the right thing to do," Climate Change Minister Penny Wong said.

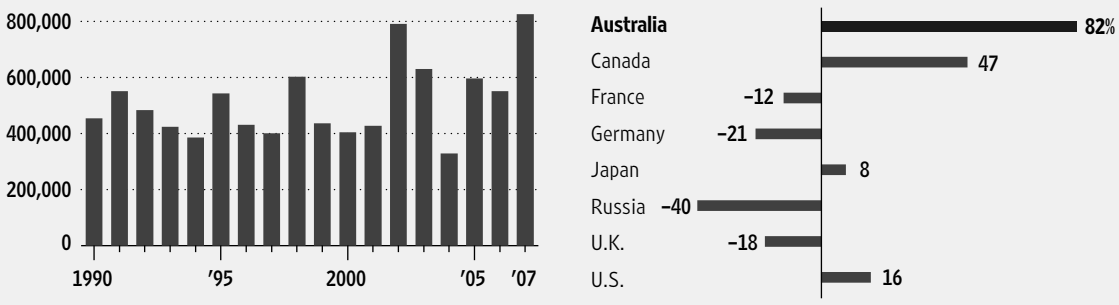
Opposition leader Mr. Abbott, meanwhile, said he believes climate change "is real" and that humans do make a contribution. But he described Mr. Rudd's carbon plan as a "great big tax," especially on industries such as the power sector, which relies heavily on coal.

Mr. Rudd's plan would have seen Australia introduce in July 2011 a market-based carbon trading program, similar to one operating in Europe since 2005, that would force the nation's biggest polluters to pay for their greenhouse-gas emissions.

Mr. Abbott is promising to present a "strong and effective" alternative climate change policy early in 2010.

"I can guarantee that we won't be doing anything that will put us at a competitive disadvantage," he said. Mr. Abbott also flagged the possibility of nuclear power in Australia as a low-emissions option, although he said it isn't something the country should "rush into."

Damage control | A look at carbon dioxide release



*1 gigagrams = 10,000 tons

Note: Total CO2 emissions includes emissions from land use, land-use change and forestry

Source: United Nations Framework Convention on Climate Change

Reuters

An airplane flies through low cloud above high-tension electricity-transmission cables and barbed wire in Sydney last week.

EU, in reversal, will likely extend shoe duty

By Matthew Dalton

BRUSSELS—The European Union is likely to extend controversial duties on shoes from China and Vietnam, after three European Union governments unexpectedly backed away from a threat to block the extension.

Reversing their earlier position, Germany, Austria and Malta have decided that they won't oppose a plan by the European Commission, the bloc's executive arm, to extend the duties for an additional 15 months starting January.

At a key EU trade panel meeting last month, those three countries said they would join 12 other EU governments to form a majority opposing the duties, a move that appeared to signal the shoe duties would roll off at the end of the year.

Now they will abstain, which counts as a vote in favor of the commission's plan under the EU's arcane procedures for setting trade tariffs. That gives the extension's biggest supporters—mainly nations with sizable shoemaking industries such as Italy, Spain and Poland—enough votes to pass the extension when ministers debate it later this month.

The European Footwear Alliance, which represents large corporations such as Adidas that import shoes from Asia, said its members will consider a legal challenge to block an extension of the duties.

"This sudden U-turn is a catastrophe for all those who care about European business, European consumers and, more broadly, about Europe's place in the world," said Manfred Junkert, director of the Federation of the German Footwear Industry.

It's unclear why the three governments changed their positions. Germany may have received a promise that the duties wouldn't be prolonged following the 15-month extension, diplomats said, though such a promise wouldn't be legally binding. Austria and Germany are also awaiting the outcome of several antidumping cases that are important to their industries for which they would need backing from governments supporting the extension.

"We had further talks," said a spokeswoman for the Austrian Ministry of Economics, Family and Youth. "This is an ongoing process." Germany's economics ministry didn't respond to a request for comment.

The duties—16.5% on Chinese shoes and 10% on those from Vietnam—were put in place in 2006 after EU shoemakers complained that Asian manufacturers were selling their products in the EU at artificially low prices. The commission says Chinese companies continue to dump their products onto the EU market, even though it says the duties have helped prevented further market-share losses by EU shoemakers.

"This uncompetitive behavior has continued to cause significant harm to European Union manufacturers, which are undertaking significant efforts to adjust their business models," the commission said in a statement Wednesday.

The duties apply to leather shoes, which exclude most sneakers.

North Koreans begin exchange of new currency

By Evan Ramstad

SEOUL—North Korean banks on Wednesday formally began a currency exchange that promises to wipe out much of the private savings people have accumulated through market activities.

The process was supposed to start Tuesday but was apparently delayed by protests to officials of the ruling Workers Party, say aid groups in South Korea with contacts in the North. Phones were cut off in the country Monday and a curfew was ordered to quell potential trouble.

But on Wednesday, the exchange was underway in the capital of Pyongyang, which was calm and orderly, according to a person reached there by e-mail. Shops have been closed this week so employees can reprice goods.

North Korea said Monday it would issue new won currency this week that would in effect lop two zeros off the old—requiring 1,000-won bills, for example, to be exchanged for 10-won notes with, theoretically, the same buying power. It said it would limit the amount of old currency it would accept in exchange, to the equivalent of about $40 worth at unofficial exchange rates.

The rest of the money would be scrapped in an apparent effort to make people more dependent on the government, the most far-reaching of Pyongyang's recent moves to crack down on market activities perceived to weaken its power.

The absence of information in the official media adds to the unusual circumstances of Pyongyang's action.

North Korea's official news agency, TV station and major newspapers, which are monitored in South Korea and Japan, by late Wednesday still had not announced the exchange. Instead, authorities transmitted information through a closed-circuit system that feeds into speakers in homes and on streets but can't be monitored outside the country.

The absence of information in official media adds to the unusual circumstances of the action. North Korea has reissued currency four times previously, all with great fanfare and explanation to the outside world.

Information about the fallout is trickling out from informants to aid groups and media in South Korea. Commodity prices surged as people try to use old bills, with rice prices up 20 times in old won and corn up 30 times since last weekend, according to Open Radio for North Korea, a radio service based in Seoul.

It also reported that the exchange restrictions did not apply to Chinese people inside North Korea and, as a result, some North Koreans were trying to exchange old money with Chinese.

Meanwhile, college students were told they could exchange only the equivalent of about $9 in old money, reported Good Friends, a Buddhist charity group based in Seoul and Washington with a network of contacts in North Korea.

It also reported instances of wealthy people from cities rushing to rural areas on Monday in hopes of buying commodities with the old currency before people in those areas heard about the exchange process.

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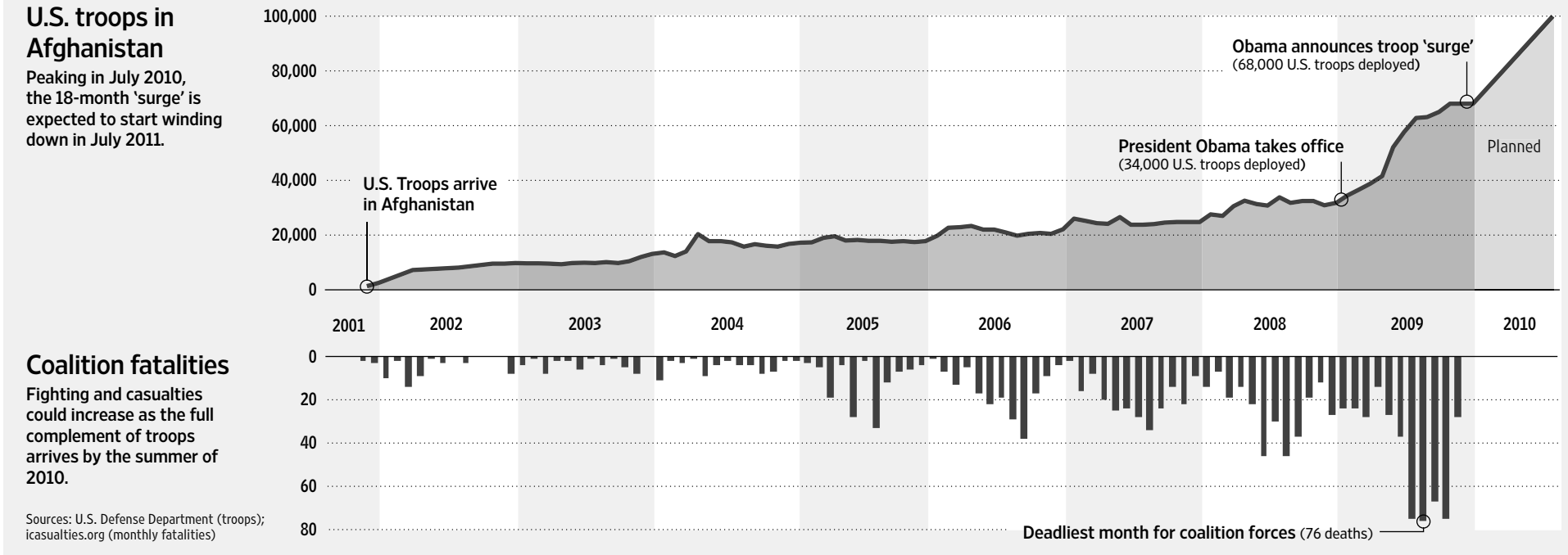
Calling for backup | The U.S. plans to send 30,000 more troops to Afghanistan by the middle of next year



Obama bets big on his troop surge

WEST POINT, N.Y.—President Barack Obama has made Afghanistan his war.

*By **Peter Spiegel, Jonathan Weisman** and **Yochi J. Dreazen***

Mr. Obama announced Tuesday a surge of 30,000 troops to Afghanistan, along with plans to begin withdrawing the reinforcements in 18 months—a potentially high-risk political and military strategy.

Such a firm date for troop drawdowns was unexpected. Administration officials hope that will pressure Kabul to reform its notoriously corrupt government. At the same time, it allows the White House to begin bringing soldiers home ahead of the 2012 elections.

He spoke at the grand and stately Eisenhower Hall, before a sea of gray-uniformed cadets, who face their own turn at war.

"Afghanistan is not lost, but for several years it has moved backwards," the president said. "There is no imminent threat of the government being overthrown, but the Taliban has gained momentum. Al Qaeda has not reemerged in Afghanistan in the same numbers as before 9/11, but they retain their safe-havens along the border....In short: the status quo is not sustainable."

A year from now, the administration plans to assess progress in the war and decide how quickly to withdraw the 30,000 troops in the surge.

By increasing U.S. forces to nearly 100,000—while limiting their deployment—Mr. Obama appeared to be trying to thread a middle path between a plan proposed three months ago by his commander in Kabul, Gen. Stanley McChrystal, which sought an open-ended commitment, and proponents of a more limited engagement. Mr. Obama traveled here, to the U.S. Military Academy, to announce what will likely be the defining foreign-policy decision of his term.

During the 2008 campaign, then-Sen. Obama derided the war in Iraq as a senseless and costly diversion from the "right" war in Afghanistan, which harbored Osama Bin Laden before the Sept. 11 terrorist attacks. Earlier, Mr. Obama had voted against the 2007 troop surge ordered by President George W. Bush in Iraq.

Senior U.S. officials emphasized that the speed of an eventual troop drawdown, which is to begin with the transfer of authority to Afghan forces in July 2011, has yet to be determined. "Those variables, pace and end [of the withdrawal], will be dictated by conditions on the ground," said a senior administration official.

But in choosing a date to begin withdrawals, Mr. Obama said he was trying to limit U.S. involvement. "I believed it was very important for us to define the mission in a way that speaks to the very real security interests that we have in keeping the pressure on al-Qaeda, but to do so in a way that avoids...a nation-building commitment in Afghanistan," Mr. Obama told newspaper columnists Tuesday.

Gen. McChrystal had requested more than 40,000 reinforcements. While the Obama administration is hoping to get more than 5,000 additional troops from North Atlantic Treaty Organization allies, which would edge closer to Gen. McChrystal's total, the Afghan commander hadn't proposed a deadline for withdrawals.

But in a statement released by his headquarters in Kabul, Gen. McChrystal, who will testify about the new plan next week, said Mr. Obama had "provided me with a clear military mission and the resources to accomplish our task."

Timelines were a central dispute in the Pentagon and on Capitol Hill during debate over Iraq. Several Bush administration officials argued that publicizing firm dates would encourage insurgents to wait out allied troops. But Mr. Obama and senior administration officials dismissed such concerns in Afghanistan, arguing that the Taliban was an unpopular insurgency that could be isolated and degraded relatively quickly.

"The absence of a timeline for transition would deny us any sense of urgency in working with the Afghan government," Mr. Obama said in his address. "It must be clear that Afghans will have to take responsibility for their security and that America has no interest in fighting an endless war in Afghanistan."

Administration officials believe that increasing Afghan military and government capacity over the next 18 to 24 months will allow Kabul to spearhead the fight once the U.S. begins to withdraw troops.

The president's announcement sets off a frenzy of military activity. The plan calls for a rapid deployment—all new troops are to be in Afghanistan by summer—a strategy that senior administration officials hope will lead to a quick start and finish. The first reinforcements, thousands of Marines stationed at Camp Lejeune, N.C., will start streaming into southern Afghanistan—a Taliban stronghold—by Christmas.

U.S. officials say the full complement of Marines will be in place by year-end. The remaining troops, as many as three brigades of soldiers, will start heading to Afghanistan in the spring.

Several military and defense officials questioned the White House's insistence that all 30,000 new troops be in Afghanistan by summer. The officials said it would be difficult to get the troops there quickly because everything must be flown in. The U.S. will also have to expand its existing bases.

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Success of plan hinges on strength of Karzai

[Capital Journal]

By Gerald F. Seib

President Barack Obama's new Afghanistan strategy represents a significant gamble, the success of which will turn on two key assumptions about the main characters in the Afghan drama:

The first assumption is that President Hamid Karzai can be made stronger than is often supposed. The second is that the Taliban enemy is weaker than is often imagined.

Both propositions underlie Mr. Obama's calculation that a surge of 30,000 new American troops can be both mounted quickly and ended quickly. The most controversial part of that strategy is Mr. Obama's decision to set a two-year timetable for pulling out those additional American troops he is sending to Afghanistan.

The American military has long resisted hard and public timetables for ending military missions, on the assumption that a deadline merely lets the bad guys know how long they have to wait out American troops before moving in. That precise criticism was immediately heard from Republicans.

Mr. Obama, in a lunch at the White House with a few columnists hours before he delivered his nationally televised speech on Afghanistan policy, countered that in this case the deadline for an American withdrawal is crucial to create leverage on Mr. Karzai to move with real urgency to improve his government and its security forces so they can take over the task of fighting the Taliban.

"That's exactly why we thought a timetable was so important," Mr. Obama said. "Because in the absence of a time frame, if the view in Afghanistan is this is an open-ended commitment or an indefinite commitment, then I think we have very little leverage" over the Afghan leader.

Thus, the relationship between the American and Afghan presidents now becomes one of the world's most important, and most complex. American officials alternate between exasperation at Mr. Karzai for his flaws and failings, and a realization they have no choice but to build him into a stronger foundation for stopping Islamic extremists. It's hardly clear that the U.S. can simultaneously critique and strengthen Mr. Karzai.

The Obama approach, as the president himself describes it, sounds an awful lot like tough love.

"I had direct conversations with President Karzai yesterday, and outlined very specifically to him the steps that we expect the Afghan government to take in improving governance and delivering services to its people," Mr. Obama said. The message to Mr. Karzai, he added, is that "if he has not improved governance, if he doesn't have greater legitimacy in the countryside, if he is not acting as commander in chief of an effective Afghan security force, then it is going to be very difficult for him to maintain his position in his country."

Moreover, Mr. Obama said, he talked with his Afghan counterpart frankly about corruption in Kabul: "It's fair to say we talked very explicitly about the need to reduce corruption. Some of that has to do with individuals, but some of it actually has to do with systems. If it takes four months and 40 forms to open up a business in Kabul, those are 40 opportunities for corruption."

On the other hand, Mr. Obama described the conversation as "cordial" and "one in which I indicated to him that he has enormous talent, and he has the potential to move his country into a new phase that would be historic. I also acknowledged to him that his task is not easy. If George Washington was in Afghanistan right now, it would still be tough."

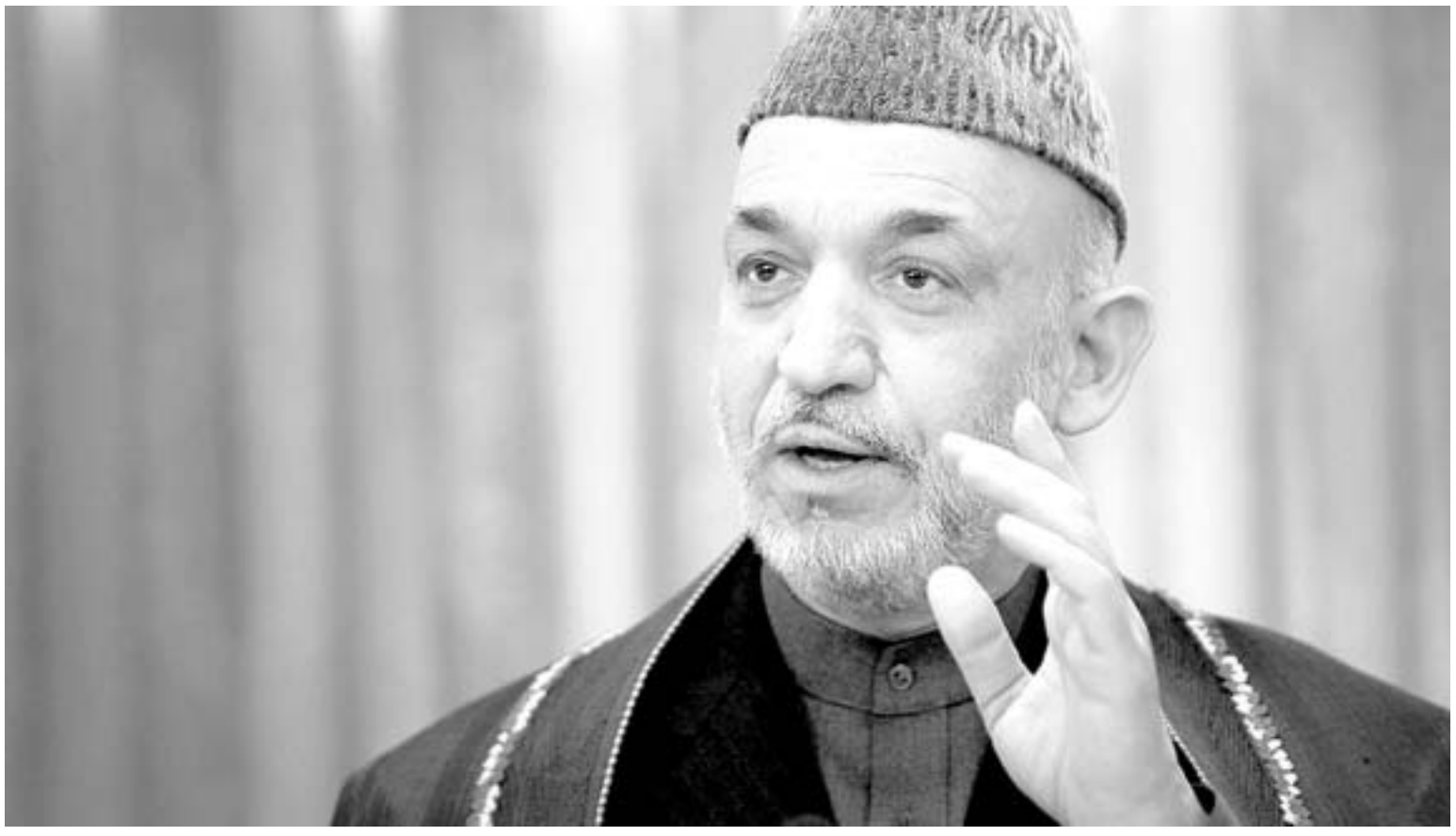
The boom line is that "what I've said to him is that the patience of the American people and the international community is waning, that we have a window of opportunity in which to solidify progress in Afghanistan, and I will do everything I can to help him seize that opportunity."

That's hardly a rousing endorsement, or a rosy prediction of a turnaround in the quality of Afghan rule. Which leads to the second key Obama assumption: that merely a little competence in the Afghan government and its army and police forces can go a long way in deflating the fundamentalist Taliban movement.

"Part of the reason I think that is potentially a sound strategy is that every bit of intelligence I see still indicates that the Taliban is unpopular in Afghanistan," Mr. Obama said. "What's happened is that there are a lot of Afghans who are hedging their bets. Because as unpopular as the Taliban may be, [Afghan citizens] are not particularly confident the central government can provide them the security they need." So, Afghans bend to the Taliban out of fear.

If the U.S. can help Mr. Karzai create just a reasonable level of confidence in the government, Mr. Obama argued, "I think that implicit hostility toward Taliban rule becomes more explicit."

In other words, Mr. Obama's gamble is that the U.S. doesn't have to make Mr. Karzai into another Nelson Mandela, or his security forces into a minor version of the American military, to succeed. They merely need to be good enough. Even that won't be easy, though, for Afghan history is full of foreigners who found good enough to be a lofty goal in that troubled land.



Getty Images

The relationship between Afghan President Hamid Karzai and U.S. President Barack Obama now becomes one of the world's most important—and complex.

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(In Liquidation)

Expressions of Interest – Shares for Sale

Electronics Manufacturing Services

Hamish Christie of HA Christie & Co, Cosimo Borrelli of Borrelli Walsh Limited and Christopher Stride of Krys & Associates, were appointed as Joint and Several Liquidators ("Liquidators") of Thumb (China) Holdings Group Limited ("Thumb") pursuant to an Order of the Eastern Caribbean Supreme Court of the British Virgin Islands dated 3 November 2009.

Thumb is a substantial shareholder of Radiance Group Limited ("Radiance") holding 138,235,390 shares representing 52.41% of the total issued share capital of Radiance.

Radiance was established in 1996 and has been listed on the Singapore Exchange Limited since June 2003. Radiance provides electronics manufacturing services to OEMs and ODMs of products in the satellite communications, television peripherals, computer peripherals, medical and consumer electronics industries. Radiance has manufacturing plants in Shenzhen and Shanghai, PRC and has marketing representatives in Singapore and Shenzhen and Shanghai, PRC.

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The Liquidators invite expressions of interest from parties interested in acquiring Thumb's interest in Radiance.

A Confidential Information Memorandum will be provided upon the execution of a suitable Confidentiality Agreement. Interested parties should contact the following on or before 17 December 2009:

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Hamish Christie
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Thumb (China) Holding Group Ltd

The above information is not exhaustive and has been compiled from information obtained from Thumb and other publicly available information. The information has not been audited or verified in anyway by the Liquidators, their staff or agents. All information is provided in good faith and is believed to be factually correct. However all interested parties are advised to conduct and rely on their own enquiries and investigations. This invitation does not constitute, nor constitutes any part of, an offer or contract.

Hanoi halts loan subsidy

Due to fears of overheating, Vietnam is ending one stimulus program

By Vu Trong Khanh And Patrick Barta

HANOI—The Vietnamese government said it will end a key economic-stimulus program earlier than expected as it moves to counter signs that parts of its economy may be starting to overheat.

The stimulus program—which provided subsidized loans to borrowers to inject billions of dollars of cash into the economy—is credited with helping Vietnam maintain far stronger growth than most other countries this year despite the worst global recession in decades. Some officials and business leaders wanted the program to continue until March, and possibly much longer.

But the loan subsidies have come under fire recently from analysts who fear they could be flooding Vietnam with too much capital. The Vietnamese government now plans to terminate the loan-subsidy program for short-term business loans by the end of this year, it said on its Web site Wednesday, after bank credit expanded 36% in the first 11 months of the year—exceeding a full-year target of 30%. A smaller program for medium- and long-term loans will remain in place for now.

The announcement came less than a week after Vietnam devalued its currency, the dong, by about 5% and raised interest rates a full percentage point in a bid to ease other speculative pressures weighing on the economy.

Agence France-Presse/Getty Images

Vietnam devalued its currency, the dong, by about 5% last week.

Although Vietnam's gross domestic product is forecast to rise 5.5% this year, compared with 6.2% in 2008, it continues to grapple with imbalances left from 2008, when the country was a hotspot for international investors. Inflation got out of control, peaking at 28% in August 2008.

Vietnam's economy has stabilized since then, but many of the underlying problems remain. Vietnam is one of the few Asian countries with both a fiscal budget deficit and a current-account deficit, and inflation, while much lower than in 2008, has started to tick up again. HSBC has predicted that inflation could again reach double-digit levels by the middle of next year. Property prices have continued to rise.

Some analysts feared the loan-subsidy program was exacerbating those problems, with stimulus money leaking into real estate. By offsetting the cost of four percentage points of interest on any loans by Vietnamese banks to the business sector, the program encouraged financial institutions to lend aggressively at a time when credit in other countries was drying up.

—Nguyen Pham Muoi contributed to this article.

Vietnam's VN Index

Wednesday's close: 499.10, down 3.1%

Source: Thomson Reuters Datastream

Court keeps freeze on 65 Thai projects

By Oranan Paweewun And Leigh Murray

BANGKOK—A Thai court ruled that dozens of industrial projects in the country's east must remain suspended because of environmental concerns, a decision that disappointed markets and may weigh on economic growth and the earnings of two of Thailand's largest conglomerates next year.

The ruling comes after the government appealed a decision by the Administrative Court in late September to issue an injunction to suspend 76 projects worth 400 billion baht ($12.06 billion) in the Map Ta Phut industrial estate in Rayong province after environmentalists argued that the permits approved by the government violated the constitution.

The Supreme Administrative Court on Wednesday approved 11 projects to proceed but said 65 others must remain halted.

The court said all projects being developed by **Siam Cement** PCL will remain on hold. Thailand's largest industrial conglomerate by sales has previously said that along with its partners, it has 106 billion baht worth of projects under suspension at the estate.

A major gas separation plant being developed by Thailand's largest energy conglomerate, **PTT** PCL, was among those approved by the court, company spokesman Attaphol Lertpiboon said. A Euro 4 emission standard project by PTT Aromatics & Refining PCL will also go ahead, he said.

However, the court ordered most of the PTT Group's projects to remain shuttered. PTT has 25 projects at the estate worth 120 billion baht.

The Thai stock market sank after digesting the news, with some initial confusion over which projects were to remain suspended. The SET Index closed down 2.3% at 693.51, with PTT shares losing 5.1% to 225 baht and Siam Cement falling 5.1% to 223 baht.

"The ruling is definitely disappointing to the market as well as us," said a senior dealer with a local brokerage firm. "The bottom line—confusion is only going to continue."

The court said the 65 projects that will remain suspended must comply with Article 67 of Thailand's constitution, which is related to the environment. They must also seek a health impact assessment, an environmental impact assessment and approval from an independent body.

Both the PTT Group and Siam Cement warned earlier that the suspension will weigh on their 2010 earnings. In late October, the Bank of Thailand said the suspension of the projects could cut 0.5 percentage point off the country's economic growth rate next year.

The court's decision also hurt foreign investor confidence. That prompted the government to establish a special committee led by former Prime Minister Anand Panyarachun to seek a solution.

China wind-power plans pose carbon-credit issues

International climate-change officials have raised questions about the economics behind about two dozen Chinese wind-power projects, underscoring the complications involved in putting a price tag on global-warming emissions ahead of a new round of environmental talks in Copenhagen.

Winding up rivals

■ Heard on the Street 30

A United Nations committee is in various stages of reviewing about 25 wind-power projects that applied to receive carbon credits. The credits, which can be sold and traded and are used by companies to offset their own emissions, are meant to pay for projects that wouldn't have received investment otherwise.

The question is whether the projects need the credits to be economically feasible, said Lex de Jonge, chairman of the executive board of what is known as the U.N.'s Clean Development Mechanism, or CDM. The committee is specifically looking at the tariffs they received from grid operators.

"The suspicion of the board is that in some cases the tariffs may have deliberately been set lower to make the project eligible," he said, adding that the 25 projects represent about half the China projects submitted. "It's not about China," he said.

Chinese officials said project operators applied for the credits in good faith, before national tariffs on wind electricity were set.

The projects represent about 100,000 metric tons of carbon dioxide each on average, Mr. de Jonge said. The reviews were reported Wednesday by the Financial Times.

Coming just ahead of the next round of talks in Copenhagen next week, the carbon-credit tussle underscores how hard it will be to convince nations like the U.S. that China needs extra money to pay for reducing greenhouse gases. China, which has overtaken the U.S. as the world's top greenhouse emitter, has pledged to slow down the pace of its growing carbon emissions. But it wants rich nations to help offset the costs for poor countries' carbon-abatement projects.

China has been the beneficiary of 48% of global CDM carbon credits, which allow economically advanced nations to meet part of their carbon emission reduction targets under the Kyoto Protocol by investing in clean-energy projects in developing nations.

As China's wind-power market matures and with the CDM set to expire in 2012 along with the Kyoto Protocol, the probability that the nation's wind-power projects will be eligible for additional post-Kyoto funding is diminishing, said Lin Na, a project manager of the EU-China CDM Facilitation Project.

—Jing Yang and Carlos Tejada

■ Heard on the Street 30

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Lam Thuy Vo/The Wall Street Journal

Gregory De'Eb's Crown Wine Cellars reports that its business is booming in Hong Kong. The company has finished a new wine storage facility to keep up with the demand.

The rich make Hong Kong a new wine hub

Surge in demand among Chinese and elimination of duties make for a heady market where Chateau Lafite Rothschild is king

By Laura Santini

HONG KONG—One of this city's hottest businesses these days is located inside the cool, climate-controlled confines of a former World War II military bunker on the south side of Hong Kong island.

There, in a 557-square-meter space that offers some of the best cellaring conditions in Hong Kong, Gregory De'Eb shelters expensive wines from the semitropical climate for a rapidly expanding clientele of oenophiles from Hong Kong, mainland China and elsewhere in Asia. At around 27,000 cases, his storage facilities are filled to capacity.

"The past four months have been bigger than we ever expected," says Mr. De'Eb, a former South African diplomat.

Surging demand for quality wine from China's newly rich, combined with the recent elimination of all wine duties in this bastion of free trade, is transforming Hong Kong into a global hub for wine trading and distribution.

Wine imports to Hong Kong jumped more than 34% to 32.5 million liters in the year ended March 31. Wine sellers and collectors say that inflow is coming from several sources—longtime Asian collectors who are moving their wines closer to home, wine sellers who have recently set up shop in the city and buyers who are simply taking advantage of the no-tax policy to ship a broader array of wines home from overseas.

Sales at Hong Kong wine auctions have reached US$47.2 million so far this year, a 75% increase from all of 2008, according to government data. Sotheby's, which held an US$8 million wine auction here in October, says the city has now surpassed London and New York as its most important market, owing to the city's potential for further growth.

Overall, London remains a larger market than Hong Kong in terms of dollar sales, says Nick Pegna, a Hong Kong-based managing director for the British wine merchant **Berry Bros. & Rudd**. But some sales counted in London are actually for clients in Hong Kong, he says. Hong Kong now accounts for nearly 35% of Berry Bros. sales versus about 25% two years ago, he says. Berry Bros.' customers include Hong Kong residents, mainland Chinese and a smaller group of other Asians who may be storing their wines in Hong Kong to avoid taxes at home.

Driving Hong Kong wine sales is a law enacted early last year wiping out a 40% tax on wine imports, after a reduction from an 80% duty a year earlier. Mainland China, by contrast, levies a 48% tax on wine imports, and all other Asian countries impose duties of some kind.

While the biggest impact of the no-tax policy has been on the fine-wine market, in dollar terms, Hong Kong consumers at the low end of the market are also discovering they have greater access. In supermarkets, for instance, wine consumers are seeing "a larger selection at much better prices than two years ago," says Jeannie Cho Lee, a collector and wine writer.

Yvonne Choi, permanent secretary for commerce and economic development in Hong Kong, says economic benefits reaped from eliminating the tax have far exceeded the lost revenue, which for the 2006 fiscal year, amounted to US$57 million.

Last week, Hong Kong reached an agreement with Chinese government officials to speed imports to the mainland.

Mainland Chinese buyers are taking advantage of Hong Kong's tax policy. On a recent visit to France, Beijing-based lawyer Jingzhou Tao shipped a couple of cases of Bordeaux to a friend in Hong Kong. Mr. Tao says that on regular visits to the city-state, he carries a couple of bottles home with him over the border.

He says he is currently digging an underground storage facility in his villa in Beijing, which will hold around 1,000 bottles.

"I find it easier to buy from Hong Kong now because I don't have to ship," says Gary Lock, another Chinese collector in Shanghai. He either drinks his wine in Hong Kong or hand carries bottles across the border.

Customs officials generally allow people to carry a couple of bottles for personal use over the border, and the practice among mainland Chinese is becoming more widespread. Sean Robson, buying manager at upscale market Oliver's, says that he sometimes sees wealthy Chinese customers show up in groups that may include drivers and domestic workers, so that each person can carry a bag containing a couple of bottles of fine wine.

For wine veterans, the exorbitant prices fetched at some recent auctions show that mainland buyers are still beginners in understanding the wine market. "Sometimes they pay a higher price than what you see at local wine stores," says George Tong, a 46-year-old collector from Hong Kong, especially for what he calls "show-off" wines.

The king of show-off wines in China is Chateau Lafite Rothschild, and the 1982 vintage—which typically sells for about US$5,000 in Hong Kong—is considered the one to go for when sealing a deal with business associates or government officials, says Mr. Tong.

In a sign of its cachet, thieves stole 228 bottles of 1982 Lafite valued at US$877,000 in November, Hong Kong police said. The bottles were being stored in a warehouse in an area of the territory that abuts mainland China. Investigators say they are asking customs officials to look out for smugglers trying to carry the booty across the border.

As with luxury handbags and watches, counterfeit wines in China represent a big challenge. In wine circles here it is often said that there is more 1982 Lafite in China than was ever produced that year in France.

In Hong Kong, longtime collectors are availing themselves of the no-tax policy by moving their wines closer to home, rather than storing them in London or New York. "Everyone is doing that now," says Ms. Lee.

Possible evidence of this is that the U.K., hardly a country known for wine production, is now the second-largest wine exporter to Hong Kong after France, according to the U.S. Agricultural Trade Office. Australia and the U.S. rank third and fourth, respectively.

The locals are also enjoying an uptick in auctions, tastings and other wine-related events. "It goes very well with Hong Kong's free-market, laissez-faire spirit," says one 57-year-old collector sitting with a group of friends at a Zachys auction last month.

In a few hours, the collector snapped up cases of French Burgundy, Rhone Valley reds, and an Italian Barolo, shelling out 354,000 Hong Kong dollars (about $46,000).

For collectors here, one drawback is the dearth of storage space. Mr. De'Eb says that plans are under way for a larger space for wine storage at the former bunker, where a hodgepodge of Hong Kong Chinese, British, Indian and Canadian soldiers surrendered the island to the Japanese in 1941. In September, his company, Crown Wine Cellars, finished construction of a new wine storage warehouse. It is the first phase of a facility near the mainland border that eventually will be able to hold 300,000 cases.

—Juliet Ye contributed to this article.

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Too late to buy?
Despite big swings in recent months, the 30-share Sensex has gained 170% over the past five years.
25000
20000
15000
10000
5000
0
2001 '02 '03 '04 '05 '06 '07 '08 '09
Sources: Thomson Reuters Datastream; Reuters (photo)
People look at a screen displaying India's benchmark share index on the facade of the Bombay Stock Exchange building in Mumbai.

Target allocations beat timing the market

For individuals who can set aside money to own stocks for a long time, now is as good a time as any to invest

[Maximum Money]

By Shefali Anand

Is it too late to buy stocks?

With the Bombay Stock Exchange's Sensitive Index having more than doubled since March, and less than 20% away from its all-time high of 20873, some people may feel that they've missed the boat.

When I asked a journalist friend recently if he was investing in stocks or stock mutual funds, he said, "Now it's too late. I should have bought when the Sensex was at 8000." The index closed at around 17170 on Wednesday.

A similar story has played out in other parts of the region, with Hong Kong's Hang Seng Index up 95% and Australia's S&P ASX 200 up 50% since their respective lows in March.

True, it would have been better to buy earlier this year. Some experts are now even expecting stocks to lose value in the near term because of their rapid gains.

But nobody can say for sure when, or if, any such dip will come. For individuals who can set aside money to own stocks for a long time, ideally five years or more, now is as good a time as any to invest.

Nobody knows what's going to happen over the next 10 days or 10 months, but history shows that, generally, over long periods of time stocks gain value. After all, the price of a company's stock essentially reflects its value, and if a company grows over the years its stock will too. As long as the Indian, Chinese or Australian economies keep growing, so will the bottom line of many well-run companies.

In the past five years, the 30-share Sensex has gained 170%. Even during the recent market downturn, you would have made money had you been invested for at least five years. Using the past as a guide, we can assume that even if the market loses value in the next few months, it is likely to go higher than the current 17170 over the next three, five or 10 years. At that time, in hindsight, the Sensex might appear to be cheap now.

Start by calculating how much you already have in stocks, either directly or through stock mutual funds, or unit-linked life-insurance plans, which have an investment component. This is your total allocation to stocks currently.

Compare this with what you think is an ideal allocation over the long term, depending on the amount of risk you can handle and the time period for which you're investing. We'll call this your "target allocation." Individuals who aren't close to retirement, and can handle moderate risk, can typically have half of their assets in stocks.

If your current stock allocation is less than your target, get into the market "in bits and pieces," says Pankaj Narain, Deutsche Bank India's director and head of private clients, banking and investments. "This spreads your risk a little bit."

Mr. Narain is referring to the practice of dollar cost averaging in which individuals invest small portions of their money regularly over a period of time. That way, if there's a dip in the market over the next five months, you'll be able to catch the lower price.

As an example, assume that the current net asset value or price of a stock mutual fund that you want to buy is $15 a unit. If you invest all the money in it now, you pay $15 a unit.

However, if you follow cost averaging, the average price of the fund unit will be different. If stocks decline over the next five months and bring down the fund price to $14, $13, $12 and $11, then you've bought the fund for an average of $13 per unit.

Alternately, if markets rise and the fund price goes from $15, to $16, $17, and $18 and $19, the average purchase price is $17. In this case, the average price is a little higher than what you would have paid if you had invested all the money at once. But that's the price you pay for hedging against the possibility of a decline in stocks.

Individuals are best off investing in stocks through a diversified mutual fund that buys a number of stocks from different industries, as that again spreads your bets. Many mutual funds in India offer 'systematic investment plans' that allow individuals to invest over a period of time.

Individuals are best off investing in stocks through a diversified mutual fund that buys a number of stocks from different industries, as that again spreads your bets. Many mutual funds in India offer "systematic investment plans" that allow individuals to invest over a period of time.

People looking to make big bucks on stocks in a span of few months or a year may have lost their opportunity. But most market experts believe the worst of this downturn is over, partly because the U.S. economy seems to be stabilizing.

Finally, a note for those whose stock allocation may have soared more than what they had planned: Consider selling some to come back to the original target. Use the sale proceeds to buy whatever is less in your portfolio, such as perhaps bond mutual funds.

Remember, when it comes to investing, most experts agree that it's important to focus on a long-term strategy and stick with target allocations. Then you don't have to worry about timing the market.

Write to shefali.anand@wsj.com

Diners feast on oysters, caviar and $7.7 million diamond watch

Vacheron Constantin

By Dean Napolitano

In Hong Kong this past weekend, a handful of select diners sat under gold-colored baubles on a secluded terrace that looks out across the city's glittering skyline. They feasted on Gillardeau oysters, oscietra caviar, Atlantic scallops, Brittany langoustines and Wagyu striploin, while a team of attentive waiters poured flutes of 1999 Bollinger la grande année.

The occasion? Vacheron Constantin's newest collection of uber-bling watches.

The 254-year-old Swiss watch manufacturer invited some of its most-exclusive clients to a private dinner at the former Marine Police Headquarters, which recently re-opened as 1881 Heritage—a high-end retail, restaurant and boutique-hotel complex. Fanning palm trees concealed the guests from the hundreds of unsuspecting sightseers mingling in the courtyard below.

The main attraction on display was the Kallania, a diamond timepiece that weighs approximately 170 carats and costs more than 60 million Hong Kong dollars (US$7.7 million).

Also getting star billing at the Friday and Saturday night dinners: the Lady Kalla Flame and the Kalla Haute Couture à Secret, flame-cut diamond watches both selling at more than HK$7 million.

While the dinner wasn't sullied by the vulgarity of an actual sale, a number of diners expressed an interest in the watches—especially the flame-cut pieces.

For those not fortunate enough to have been invited to the private viewing, a replica of the Kallania is on display at the company's shop in Hong Kong until Wednesday. The other watches feature, too, in an exhibit that moves to Shanghai later in the month, where Vacheron Constantin will host two more private dinners for its most-exclusive clients.

The Afghan Escalation

One of the media's least accurate tropes is that, with the President's speech Tuesday night, Afghanistan is now "Obama's war." No, it isn't. Nations go to war, not merely Administrations, and President Obama's commitment of 30,000 more troops to that Southwest Asian theater is a national investment in blood and treasure on behalf of vital U.S. security interests.

We support Mr. Obama's decision, and this national effort, notwithstanding our concerns about the determination of the President and his party to see it through. Now that he's committed, so is the country, and one of our abiding principles is that nations should never start (much less escalate) wars they don't intend to win.

* * *

The heart of the augmented strategy will be the deployment of some 30,000 additional troops, on top of the 21,000 more that have arrived this year. They'll be deployed in what capable and creative Generals Stanley McChrystal and David Petraeus have described as a counterinsurgency strategy akin to the successful Iraq surge of 2007, albeit with important differences.

As in Iraq, the goal will be as much political as military: Strike and degrade the resurgent Taliban, while also protecting more of the Afghan population as a way to win their cooperation and allegiance for the Afghan government.

The Taliban aren't popular in most of the country, but they are feared. One lesson from Iraq and other counterinsurgencies is that terrorists lose their base of popular support once the public believes the government can protect them. And once protected, the public begins to provide intelligence that can assist counterterrorism efforts against the Taliban and al Qaeda. As Mr. Obama rightly stressed Tuesday night, the Afghan surge should also reassure Pakistan that the U.S. won't be a fickle ally in its campaign against al Qaeda and radical Islamists.

Another lesson from Iraq is that a counterinsurgency can show rapid results when done right. And on this score, we're pleased to see Mr. Obama accelerate the troop deployment so all 30,000 will be in country by next summer. If we're going to surge, better to do it quickly and show both the Afghan and American people early evidence of success.

> Now the President needs a political surge to rally public support.

A proper counterinsurgency also needs enough manpower, however, and here there is cause for concern. Mr. Obama's hand-picked commander, General McChrystal, requested at least 40,000 troops and will have to settle for less. The Administration is pitching for as many as 10,000 more NATO troops, but this is probably wishful thinking. The Europeans may love Mr. Obama, but they don't want to fight with him any more than they did with George W. Bush.

The lower force level means there will be no more than two or three additional combat brigades, compared to five additional in the Iraq surge. Fewer combat troops, in turn, mean that General McChrystal may have to make hard choices about where to deploy—between, say, the Taliban strongholds in southern Helmand and Kandahar provinces, the scene of the heaviest fighting, or pushing back against Taliban sallies in the previously calm north.

Also worrisome is Mr. Obama's decision to scale back plans for training and equipping Afghan security forces. General McChrystal and his staff thought the U.S. and its allies could stand up a force of 400,000, or twice the current target. The Administration vetoed him. Retention problems and cost factored into the decision.

One official noted the country lacked enough "qualified and literate" recruits. But the Afghan Army, currently at 90,000, counts as a major success in the post-Taliban era. If the Administration wants an early exit from Afghanistan, then building up the military seems essential to leaving behind a country that can protect its own people.

Barack Obama

The President's strangest note Tuesday night was his insistence on an "exit" strategy that has the U.S. beginning to turn security over to Afghans in as soon as 18 months. Since July 2011 is only a year after the surge forces will have been fully deployed, the timeline seems arbitrary and overtly political.

Mr. Obama said his purpose is to show Afghan President Hamid Karzai that the U.S. commitment isn't "open-ended," as if that wasn't already obvious. Its real purpose may be to reassure Democrats on Capitol Hill who hear shouts of "Vietnam" at every liberal fund-raiser. Whatever its intent, the focus on withdrawal so soon after escalation sends a message of doubt to the very Afghans the surge is supposed to reassure, while encouraging the Taliban to wait us out.

The President's emphasis on an early exit underscores our larger concern about his own war diffidence. When Mr. Obama announced his initial troop surge in March, he gave a single speech and dropped the subject. That won't do this time—not with half of his own party already doubting the surge and demanding a new, economically damaging "surtax" to pay for it. The Democratic left's assault on Mr. Bush and later on Hillary Clinton helped Mr. Obama win the Presidency, but now he must rebut that same anti-antiterror left if he wants to succeed.

As for Republicans, some will be tempted to do to Mr. Obama what he did to Mr. Bush and oppose a war that is increasingly unpopular. We hope they do not. Whatever their doubts about Mr. Obama as a Commander-in-Chief, they should let Democrats be the defeatists. If the strategy succeeds, Republicans will get credit for helping in the national interest; and if it fails, the public will feel comfortable turning to them for national security leadership.

Mr. Obama could also help himself with Republicans on the war if he governed with less partisanship on domestic policy. Tuesday night's attempt to once again blame the Bush Administration for every Afghan setback hardly sends a bipartisan message.

* * *

Above all, as a war President, Mr. Obama will have to spend more of his own political capital persuading the American public that the Afghan campaign is worth the price. One speech at storied West Point isn't enough. The President needs his own political surge.

ObamaCare at Any Cost

We have now reached the stage of the health-care debate when all that matters is getting a bill passed, so all news is good news, more subsidies mean lower deficits, and more expensive insurance is really cheaper insurance. The nonpolitical mind reels.

Consider how Washington received the Congressional Budget Office's study Monday of how Harry Reid's Senate bill will affect insurance costs, which by any rational measure ought to have been a disaster for the bill. CBO found that premiums in the individual market will rise by 10% to 13% more than if Congress did nothing. Family policies under the status quo are projected to cost $13,100 on average, but under ObamaCare will jump to $15,200. As for the employer market, those policies will cost roughly the same or drop slightly.

Fabulous news!

"No Big Cost Rise in U.S. Premiums Is Seen in Study," said the New York Times, while the Washington Post declared, "Senate Health Bill Gets a Boost." The White House crowed that the CBO report was "more good news about what reform will mean for families struggling to keep up with skyrocketing premiums under the broken status quo."

Finance Chairman Max Baucus chimed in from the Senate floor that "Health-care reform is fundamentally about lowering health-care costs. Lowering costs is what health-care reform is designed to do, lowering costs; and it will achieve this objective."

Except it won't. CBO says it expects employer-sponsored insurance costs to remain roughly in line with the status quo, yet even this is a failure by Mr. Baucus's and the White House's own standards. Meanwhile, fixing the individual market—which is expensive and unstable largely because it does not enjoy the favorable tax treatment given to job-based coverage—was supposed to be the whole purpose of "reform."

> A bill that raises prices but lowers costs, and other miracles.

Instead, CBO is confirming that new coverage mandates will drive premiums higher. But Democrats are declaring victory, claiming that these higher insurance prices don't count because they will be offset by new government subsidies. About 57% of the people who buy insurance through the bill's new "exchanges" that will supplant today's individual market will qualify for subsidies that cover about two-thirds of the total premium.

So the bill will *increase* costs but it will then disguise those costs by transferring them to taxpayers from individuals. Higher costs can be conjured away because they're suddenly on the *government* balance sheet. The Reid bill's $371.9 billion in new health taxes are also apparently not a new cost because they can be passed along to consumers, or perhaps will be hidden in lost wages.

This is the paleoliberal school of brute-force wealth redistribution, and a very long way from the repeated White House claims that reform is all about "bending the cost curve." The only thing being bent here is the budget truth.

Moreover, CBO is almost certainly underestimating the cost increases. Based on its county-by-county actuarial data, the insurer WellPoint has calculated that Mr. Baucus's bill would cause some premiums to triple in the individual market. The Blue Cross Blue Shield Association came to similar conclusions.

One reason is community rating, which forces insurers to charge nearly uniform rates regardless of customer health status or habits. CBO doesn't think this will have much of an effect, but costs inevitably rise when insurers aren't allowed to price based on risk. This is why today some 35 states impose no limits on premium variation and six allow wide differences among consumers.

The White House decided to shoot messengers like WellPoint to avoid rebutting their message. But Amanda Kowalski of MIT, William Congdon of the Brookings Institution and Mark Showalter of Brigham Young have found similar results. In a 2008 paper in the peer-reviewed Forum for Health Economics and Policy, these economists found that state community rating laws raise premiums in the individual market by 20.9% to 33.1% for families and 10.2% to 17.1% for singles. In New Jersey, which also requires insurers to accept all comers (so-called guaranteed issue), premiums increased by as much as 227%.

The political tragedy is that there are plenty of reform alternatives that really would reduce the cost of insurance. According to CBO, the relatively modest House GOP bill would actually reduce premiums by 5% to 8% in the individual market in 2016, and by 7% to 10% for small businesses. The GOP reforms would also do so without imposing huge new taxes.

But Democrats don't care because their bill isn't really about "lowering costs." It's about putting Washington in charge of health insurance, at any cost.

OPINION

Bring Back the 'Off' Switch

[Business World]

By Holman W. Jenkins, Jr.

The millisecond-scale operation of an analog on-off switch is an eternity to a computer. Does that tremulous signal mean a finger meant to push the button once or twice? Is the computer being misled by microvoltages created by electronic interference? Did a user really push the button at all?

As one authority puts it, "Switches can do some really odd things. . . . Switches don't make and break cleanly on the time scales of digital systems."

Thus software "debouncers," or bits of code written to analyze the many states of a seemingly simple on-off switch, are one of the Faustian prices we pay for our digital plenty—though sometimes the burden is also partly borne by the user. A particularly unsuccessful mix of the two approaches is the ignition button in certain Toyota models that must be held down for three continuous seconds to turn off a runaway car.

That feature played a role in a horrific crash in San Diego in August, in which a 2009 Lexus sped out of control and killed four occupants. Toyota, though, says the primary fault lies with a poorly designed gas pedal and floor mat combination that kept the gas pressed down. The National Highway Traffic Safety Administration has agreed, to an extent, though refuses to join Toyota in ruling out other defects in the cars. Then there's the Los Angeles Times, which in a series of articles points the finger at an unknown bug in Toyota vehicle electronics.

Those of lengthened years will remember the sudden acceleration scare, driven by CBS's "60 Minutes," that almost pushed Audi out of the U.S. market in the 1980s. Lawyers at the time made out like bandits even though handicapped by having to allege an unidentified defect in a mechanical system—and by the fact that the defect seemed to show up disproportionately in cases of elderly female drivers who were new to the Audi.

A second life was given to SUA (sudden unintended acceleration) litigation in the 1990s with the spread of cruise control and electronic fuel injection, making it easier to sustain a claim of unseen and unreplicable software or circuitry glitches. With Toyota wearing the bulls-eye, now comes the third wave thanks to the revolution that means even a midpriced car nowadays can contain dozens of microprocessors and 30 million lines of code.

As the L.A. Times argued in its latest installment Sunday, "complaints of sudden acceleration in many Toyota and Lexus vehicles shot up almost immediately after the automaker adopted the so-called drive-by-wire system over the last decade. That system uses sensors, microprocessors and electric motors—rather than a traditional link such as a steel cable—to connect the driver's foot to the engine."

Associated Press

Toyota meets the sudden-acceleration plaintiff's bar.

Toyota has already told owners to remove the offending floor mats. In a record-breaking recall, it will also modify or replace gas pedals in nearly four million Lexus and Toyota vehicles. In a recapitulation of Audi's experience, Toyota's drive-by-wire may well be exculpated over time. Multiple investigations suggested the problem was a driver standing on the gas rather than the brake when shifting into drive. Sure enough, after Audi installed a shift-lock making this harder to do, incidents fell sharply. By then, of course, Toyota will have paid a fortune to settle cases, though as a well-established brand it won't be hurt as badly as Audi was.

That said, a collateral lesson from these events surely concerns the need for simple analog overrides of the digital systems we increasingly rely on. It's one thing to endure the unendurable milliseconds before a software switch turns on a hi-def TV that, in analog days, would have responded instantly to an analog switch. But given the impossibility (as Microsoft has repeatedly demonstrated) of debugging any software product fully before putting it on the market, Toyota's delayed "off" switch is inexcusable. Bad enough is that its function was only explained deep in the owner's manual—in any case, three seconds is too long at 100 mph.

Racecars and motorcycles increasingly have drive-by-wire systems too—but the trusty kill switch remains part of every design. Such systems need to work for people who are panicked and not able to think through their options. In another design flaw, power-assist for Toyota's brakes apparently fades out when the engine is at full rev, making it hard or impossible for the average motorist to assert enough pressure to overpower the drive train when the throttle is jammed open.

Yes, the driver in the San Diego crash, an off-duty California highway patrolman, might have yanked the transmission into neutral. He didn't. Maybe he was too busy jabbing the ignition button. The world needs simple, straightforward on-off switches, with the inestimable virtue of having only two states—on and off.

Follow The Bunny

[Bookshelf]

Playboy and the Making of the Good Life in America
By Elizabeth Fraterrigo
(Oxford University Press, 295 pages, $29.95)

By Edward Kosner

There has always been something faintly ridiculous about Hugh Hefner—lounging in those silky pajamas with his interchangeable twin sets of blond honeys and that erect pipe jutting from his jaw, like Popeye. Still, he created an empire out of his own fervid longings, and attention of a sort must be paid.

Now, 56 years (and 670 or so playmates of the month) since he published the first issue of Playboy, Mr. Hefner's domain—the magazine, the one surviving club, the soft-core cable channels and the bunny-tailed tchotchkes—is up for sale. And, as irony would have it, the valedictory for this pioneer of Middle American hedonism has been written by an earnest academic.

Don't expect backstairs gossip from the Playboy Mansion West or glimpses of topless bunnies cavorting with Hef and his showbiz pals in the Woo Grotto from Elizabeth Fraterrigo's "Playboy and the Making of the Good Life in America." Nor does the book include much detail about how Mr. Hefner turned his skinny little Chicago slick into a publishing colossus that, at its peak in 1972, sold more than seven million issues a month and operated 40 Playboy clubs, hotels and resorts, including a London casino that was the most profitable gambling joint in the world. Mr. Hefner's manifesto, his stupefying 25-part Playboy Philosophy, rates barely a mention.

Instead, Prof. Fraterrigo, who teaches history at Loyola University in Chicago, devotes herself to the chicken-and-egg question of how much Playboy shaped mid-century American mores and consumer taste and how much it reflected the profound changes that convulsed the country as it emerged from nearly 30 years of Depression and war. The answer is simple enough: Like Harold Ross of the New Yorker, Clay Felker of New York magazine and Helen Gurley Brown of Cosmopolitan, Hef was a great editor whose taste and preoccupations synched with the emerging spirit of his time and became iconic.

Still, it's entertaining to scoot down memory lane in Mr. Hefner's roadster to revisit Playboy's early days as Hef dictated every detail of his evolving masculine pleasure principles. "To keep it sexy and acceptable," he instructed one playmate photographer, "we'll want the breasts exposed and yet covered—this distinction is very important to us." He went on to feature in the magazine various Playboy penthouse pads, stage sets where his aspiring sophisticates could seduce "sexually available" young women with expertly mixed cocktails, Paul Desmond on the hi-fi, and gourmet tasties whipped up by the host himself—all leading to guiltless romps on the big circular bed amid a mildly psychedelic light show. Cool!

In fact, even in its heyday, Playboy was a yokel's idea of sophistication. There was, for example, the Bunny Watchers' Society, a bunch of guys in special black blazers with the Playboy logo who would sip free drinks at a Playmate Bar each afternoon while ogling cottontail cocktail waitresses and guessing their measurements.

Beneath the swagger ran a deeply unattractive misogyny. Mr. Hefner constantly proclaimed his adoration of women, but the magazine went berserk over the "womanization" of American society, especially the dire threat of women competing with men at work. From the archives, Prof. Fraterrigo unearths a memo from editor A.C. Spectorsky, Mr. Hefner's éminence grise, to the author Philip Wylie ordering up a hatchet job on career women—"these chromium-plated, castrating, driven, vicious, unhappy, destructive, asexual or anti-sexual devouring, insatiable" menaces. Later, Mr. Hefner tried to ally himself with the feminists. He supported abortion rights and even the Equal Rights Amendment, but the women had long memories and most weren't impressed.

Mr. Hefner's basic conviction was that hard-working young men—and young women—deserved a few years of sexual road-testing before settling into marriages that would be the better for their carefree experience. Thus, Prof. Fraterrigo suggests, his advocacy of hedonism was ultimately in the service of turning out ever more stable American families whose success would fuel the consumer economy and bolster our side in the Cold War with communism. For his part, Mr. Hefner thought he was crusading against Eisenhower-age conformity. He was actually pushing a new orthodoxy of individuality, Hefner-style.

Inevitably, Mr. Hefner and his magazine were victimized by their own success. Even as Playboy flourished in 1969, Bob Guccione brought Penthouse to the U.S., promising "the pictures without the lectures" and "the pinups without the hang-ups." In practice, this meant that, unlike Playboy bunnies, Penthouse pets showed as much as the top-less and bottom-less girls at the local strip-mall "gentleman's club." For a time, Mr. Hefner tried to compete in what came to be known as the Pubic Wars, but he soon retreated. The Playboy clubs seemed increasingly outdated, and by 1975, Playboy Enterprises began posting losses, and the publicly traded stock started to tank.

Mr. Hefner increasingly holed up in his Los Angeles mansion, taking up with the first of his ballyhooed gal pals, Barbi Benton. He went through a bout of Dexedrine addiction, got married and sired two children, and then slid into his dotage with a bouncy blonde at each elbow. Aside from old quotes, Hef, now 83, isn't much heard from in "Playboy and the Making of the Good Life in America" until the epilogue, in which he grants an interview to Prof. Fraterrigo. "I have been on the side of the angels from the very beginning," he concludes, a prophet with a shred more honor than you might expect after a gaudy half-century run.

Mr. Kosner is the former editor of Newsweek, New York magazine, Esquire and the New York Daily News. His memoir, "It's News to Me," has been reissued in paperback.

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OPINION

Emissions Cuts Would Cost India Dearly

By Shikha Dalmia

In the pre-iTunes, pre-MTV age, there was usually a multiyear lag before hit songs in the West reached India. Now India is experiencing a similar time-lag on global warming. Just when fresh doubts about the issue are emerging in the West, India is flirting with the idea of hopping on the global-warming bandwagon at the Copenhagen climate-change summit next week.

The poor can't afford a big tax on energy usage, or a return to the License Raj of times past.

This is in large part a misguided attempt to bolster India's political standing in the world. In an October letter to the prime minister conveniently leaked to the press, Environment Minister Jairam Ramesh expressed concern that India's intransigence on the issue was making it a pariah among developed countries, jeopardizing its bid for permanent membership at the United Nations Security Council. He counseled that India delink itself from the Group of 77 developing nations resisting forced emission cuts without compensation, and instead make common cause with the Group of 20 rich countries pushing for climate action.

Mr. Ramesh's letter is a significant change of tune, given he made headlines this summer when he bluntly told Secretary of State Hillary Clinton that India was simply in no position to accept binding emissions cuts. It is widely regarded as a trial balloon by the government of Prime Minister Manmohan Singh and has triggered a maelstrom of protest in parliament, forcing Mr. Ramesh to pledge not to accept legally binding emissions cuts. But the government is nevertheless trying to change India's current domestic global-warming policy more dramatically than it is letting on to better align it with global demands.

The current policy, called Nationally Appropriate Mitigation Actions, in some ways is a declaration of India's independence on climate change. It essentially tells the world that India will undertake mitigation efforts if and when it is in its self-interest. The proposed new policy, dubbed Nationally Accountable Mitigation Outcomes, is something completely different. It would commit India to developing a mitigation plan right away. The plan would be enforced by domestic law but Mr. Ramesh—tellingly—wants to submit the emissions reports generated for international scrutiny every two years. This could well become a prelude to India eventually joining a global emissions regime.

Even worse, the new regime would unleash Byzantine new regulations on the country, from new energy efficiency standards in building codes to new fuel economy standards for vehicles. India would have to obtain 20% of its energy from renewable sources—wind, solar and small hydroelectric power—compared to 8% now. Given that these sources are typically far more expensive than fossil fuels, this would mean putting Indians, 40% of whom don't even have access to electricity, on an even stricter energy diet. The increased expense will put homes, air conditioning and cars out of reach of more Indians—all of which will make them, especially the poor, less able to withstand floods, heat waves and other dire effects of global warming should they ever materialize.

The resulting emission cuts won't even make a dent in global temperatures. India's per capita energy consumption is 15 times less than America's and half of China's—the two biggest polluters. To be sure, President Obama is poised to pledge to cut U.S. carbon emissions 80% below 2005 by 2050 at Copenhagen. But it's an empty promise because there is little to zero chance that he will be able to get Congress to go along. China too announced plans—modest by all accounts—to curb its emissions. So India will certainly face pressure at the conference to act, despite the fact that bigger polluters won't.

But as a developing country,

David G. Klein

India can least afford to give up its right to consume as much energy as is necessary to deliver all Indians a living standard comparable to the one that rich countries take for granted. There is every reason to believe that the new License Raj will damage India's economy every bit as much as the old one in the preliberalization days, when India's growth rate remained stuck at around 2%. This would be unfortunate at any time, but especially now, when the West itself is in the middle of a huge rethinking on this issue.

Front and center is the ClimateGate scandal that's erupting in Britain. Leaked emails out of the climate research center of Britain's University of East Anglia, unveiled last week, suggest scientists manipulated data, destroyed inconvenient evidence and tried to suppress opposing views. The scandal is prompting calls for a full-blown government inquiry into the science of global warming in both Britain and America. Cap-and-trade regimes in Washington and Canberra have stalled, and no one expects a climate deal of any substance at next week's Copenhagen meeting.

Meanwhile, global-warming fatigue is setting in everywhere. An October poll by Pew Center Research found that only 57% of Americans think there is solid evidence that the earth is getting warmer, down from 71% in April 2008. Only 36% now believe that the warming is caused by humans, compared to 47% in April 2008. Nor is America unique. The number of people rating climate change as the major issue they worry about has dropped to fourth place behind global economic stability in the last year, according to the HSBC Climate Confidence Monitor, a polling operation established by the bank and leading environmental outfits.

In the long run, India will gain more international respect if it remains focused on growing its economy instead of reshackling its people under a new, green License Raj. That's the real climate-change calculation Mr. Singh should be worrying about.

Ms. Dalmia is a senior analyst at Reason Foundation and a Forbes columnist.

Kim Jong Il's Fake Currency 'Reform'

By Marcus Noland

North Korea announced a surprise currency reform this week. The move isn't about good economics, however; it is yet another stratagem by the central authorities to short-circuit the development of an entrepreneurial class independent of the state.

Currency reforms are not a bad thing in principle. Stable governments historically have used this tactic to draw a line under bad economic policies of the past, often after taming a hyperinflation. Good reforms typically involve knocking zeros off the old paper and issuing new currency, perhaps at approximate parity to major currencies such as the dollar or the euro to make it easier for citizens to hold their government accountable for macroeconomic performance. In recent years Turkey and Ghana, among others, have successfully implemented such reforms.

What occurred Monday in North Korea is different. Unlike a Turkish or Ghanaian-style reform, in which all citizens are encouraged to convert all their holdings of the old currency, the North Korean regime limits the amount of currency that can be converted. This renders excess holdings worthless, and has set off the frenzy this week to get out of old won and into anything else—dollars, Chinese yuan, physical goods—that will maintain value. Any economic "reform" also creates opportunities to parcel out benefits, as with a 2002 price and wage reform that favored the military.

This move is part of Pyongyang's broader effort to curtail the rise of market activities and the development of pathways to wealth—and potentially power—beyond state control. Participants in North Korea's bootstrap capitalism include everyone from laid-off factory workers to government officials who exploit their inside knowledge to deal privately in everything from grain to imported Chinese consumer goods.

Pyongyang targets the private economy, but North Korean entrepreneurs struggle on.

In a society so highly atomized by the government, a private-sector market would be one of the few ways for North Koreans to interact with each other away from the state's watchful eyes. So it stands to reason the regime would be worried about the market quite apart from any subversion of the state's own economic machinery. Roughly every decade since the founding of the country in 1948, the government has initiated a currency reform or similar policy to confiscate the savings and working capital of private entrepreneurs.

There appear to be several particular spurs for the latest "reform." North Korea relies on local production for about two-thirds of grain consumption, with most of the rest coming through aid. The recent harvest was reportedly poor and world grain prices are rising. This makes farmers more likely to divert food from government procurement to the black market. United Nations sanctions also are disrupting the country's finances, affecting everyone and reducing the supply of luxury goods the regime dispenses as favors to supporters.

* * *

The currency reform isn't the only way Pyongyang is trying to crack down on nonstate economic activity: The penal system increasingly is being used to control market-oriented activities, with the added benefit of facilitating predatory extortion.

Changes to the North Korean criminal code approved in 2004 and 2007 include expansive definitions of economic crimes that, if taken literally, prohibit a wide range of standard commercial activities. This includes up to two years of "labor training" for individuals convicted of engaging in "illegal commercial activities, therefore gaining large profits." The code also bars "illegally giving money or goods in exchange for labor." Capital punishment is to be meted out for "extreme cases" of theft of state property and for drug dealing, and increased punishments are prescribed for "illegally operating a business, such as a restaurant, motel or store."

Surveys of defectors suggest that the repressive apparatus of the state is disproportionately targeting those involved in market-oriented activities. Participants in market activities are more than half again as likely to be detained as other citizens. These are often traumatic events. Of those who had a run-in with the law, only 13% of the respondents to a defector survey I conducted in 2008 with Stephan Haggard of the University of California San Diego reported receiving any kind of trial or formal legal process. Prisoners enduring a typical-length incarceration in a low-level "labor training center" often used to house economic criminals observed horrific abuses at astonishing rates: execution (observed by 60%), forced starvation (90%) and death by torture or beating (20%).

This repression benefits the regime in many ways. Among others, high levels of discretion with respect to detention and its associated abuses encourage bribery. The more arbitrary and painful the experience with the penal system, the easier it is for officials to extort money for avoiding it. These characteristics not only promote regime maintenance through intimidation but also facilitate predatory corruption.

The upshot is that, despite both the currency reform and the legal crack-down on the private economy, the regime is not succeeding in stamping out the market entirely. The fact that Pyongyang has to keep trying indicates that North Koreans keep trying even harder to scrape together better lives for themselves. But the sheer ruthlessness of the Pyongyang regime and its extraordinary capacity for repression underline just what an uphill battle those North Koreans face against a regime determined to keep them down.

Mr. Noland is a senior fellow at the East-West Center in Honolulu and deputy director of the Peterson Institute for International Economics.

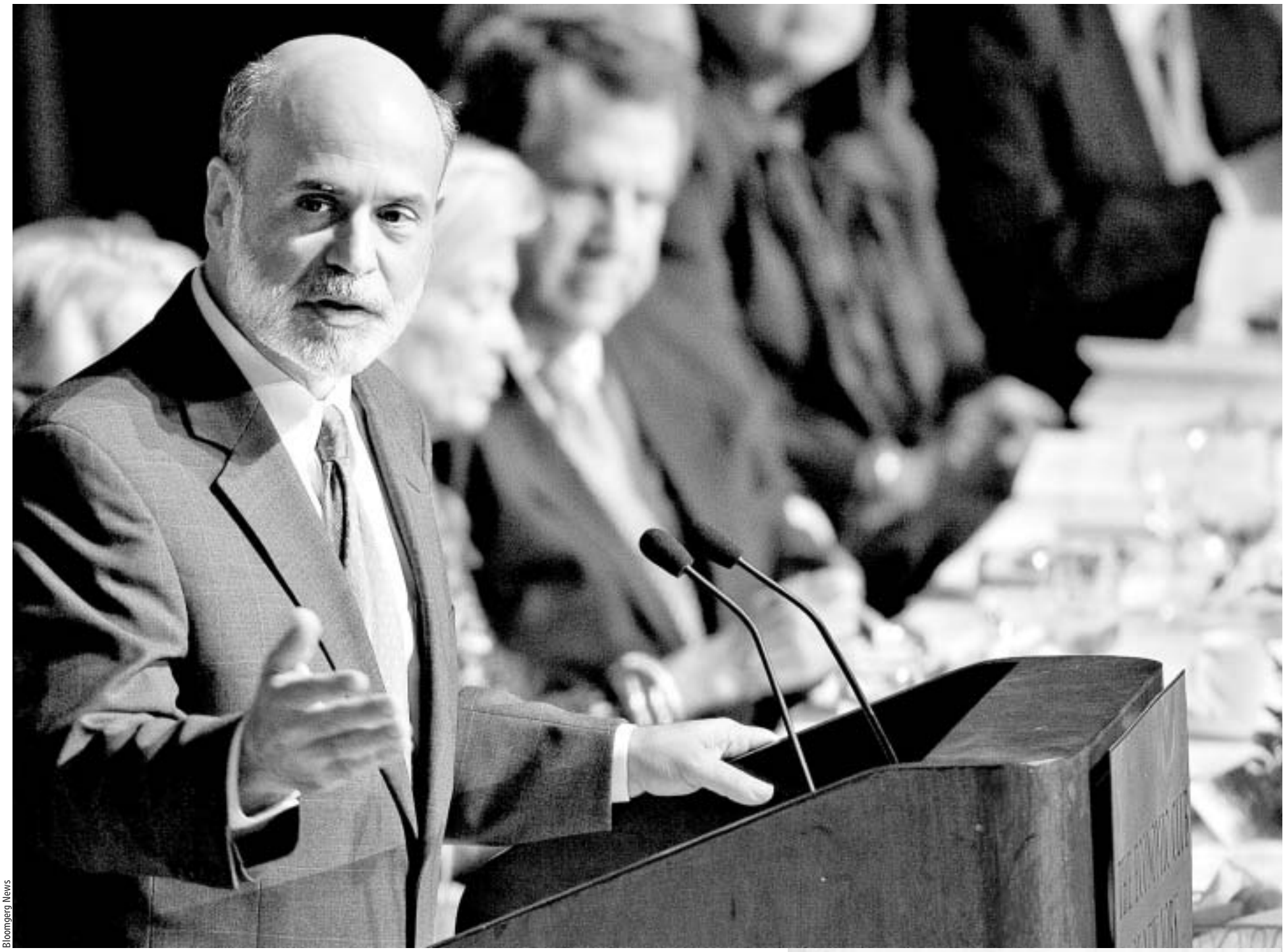
Pepper . . . and Salt

THE WALL STREET JOURNAL

"This is the first time I've ever seen a tech support number on a soccer ball."

IN DEPTH

U.S. Fed debates role: bubble fighter



Bloomgerg News

Continued from first page

to stop a bubble, for instance, could slow growth in other parts of the economy that were otherwise healthy.

The Fed's main strategy instead was to mop up after a bubble burst with lower interest rates to cushion the blow to the economy and restart growth. That strategy was a key conclusion of Mr. Bernanke's writings on the subject of bubbles when he was a Princeton professor, and again when he first came to the Fed as a governor in 2002. It was an approach embraced by his predecessor Alan Greenspan.

Now, Fed officials admit the stance didn't work. They're groping for alternatives. Of the two methods to prevent bubbles—using regulations to protect the financial system from excess and changing monetary policy by raising interest rates—Mr. Bernanke falls on the side of greater regulation, an idea he has advocated in the past.

"The best approach here if at all possible is to use supervisory and regulatory methods to restrain undue risk-taking and to make sure the system is resilient in case an asset price bubble bursts in the future," Mr. Bernanke said in answer to a question after a speech in New York last month.

Playing the interest-rate card, in contrast, is considered by many to be a more aggressive and risky move. On Tuesday, Philadelphia Fed President Charles Plosser said interest rates were "a very blunt instrument" to thwart a possible bubble. He said raising rates could "affect all other asset prices at the same time."

But some on the Fed's research staff are pushing senior officials to include interest rates in their plans—and some officials say they can no longer rule that out. Kevin Warsh, a Fed governor who spent seven years on Wall Street before moving to Washington in 2002, says he's keeping close track of commodities prices, the dollar and movements in credit markets. The Fed, he says, has to be open-minded in its search for solutions to bubbles, including whether interest rates should be used to squash them.

With unemployment high and conventional measures of inflation low, the Fed's top priority is to get the economy moving again. The Fed has said that means leaving interest rates low for at least several more months.

Yet the question of whether and how to tackle bubbles before they burst is becoming a growing concern amid fears of new bubbles developing in commodities markets and in emerging economies. Gold prices are up more than 50% in a year's time. China's Shanghai Composite stock index is up nearly 80% this year. Stocks in Brazil are up even more. Oil prices have rebounded. They remain far below last year's peaks but a return to those highs could fuel inflation in goods and services more directly than tech stocks or housing did.

"This is a very dangerous period," says Frederic Mishkin, a Columbia University economist and former Fed governor. If a new bubble threatens to emerge and the Fed decides to fight it more aggressively, he says, it could damage an already weak economy. "You don't want to be fighting the last war," he says.

The debate extends far beyond the Fed. Researchers at the Bank for International Settlements, a Basel, Switzerland-based group that coordinates central-bank activities around the world, are pushing to address bubbles more aggressively. On a recent trip to Asia, the Fed's Mr. Warsh and San Francisco Fed President Janet Yellen got an earful from finance officials in China and Hong Kong, who worry that low U.S. interest rates are prompting investors to borrow in the U.S. and drive up asset prices in Asia.

The issue of rising asset prices—and what, if anything, to do about them—surfaced at the Fed's November meeting on the economy. Minutes released last week show officials worried about "the possibility that some negative side effects might result from the maintenance of very low short-term interest rates for an extended period." One worry was "excessive risk-taking in financial markets."

Fed Chairman Ben Bernanke calls financial booms "perhaps the most difficult problem for monetary policy this decade."

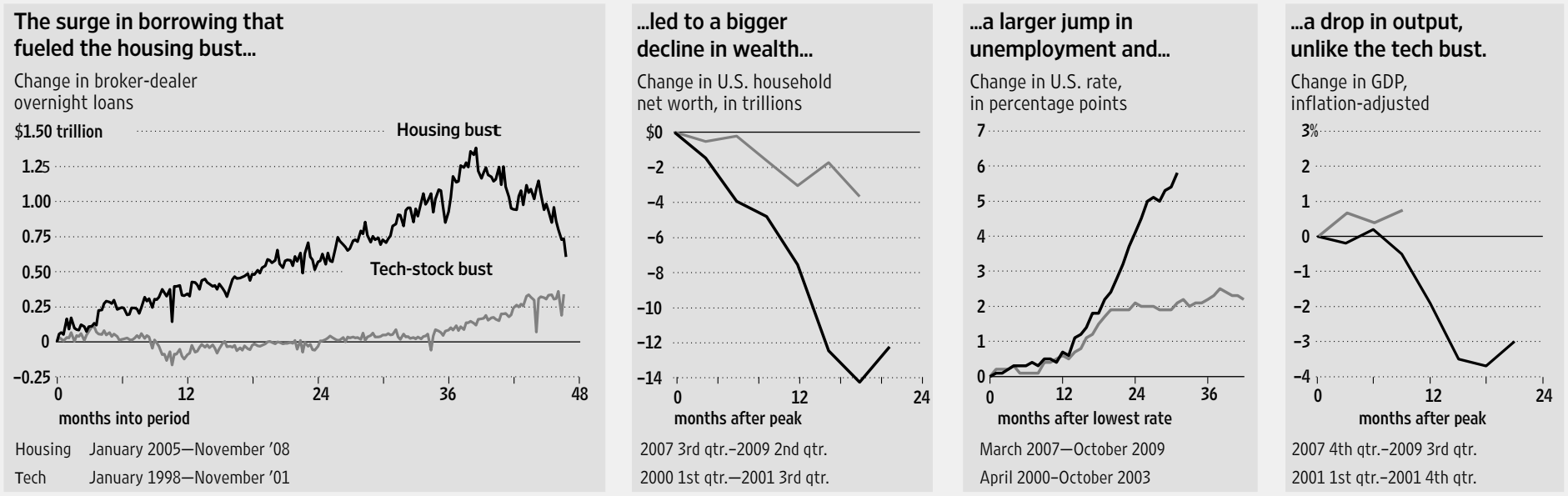
Mr. Bernanke helped to launch his central-banking career while a Princeton University professor in 1999 with a paper he presented to Fed officials at their annual Jackson Hole, Wyo., conclave, in which he warned against trying to prick bubbles. Mr. Bernanke and his coauthor, Mark Gertler, a New York University economist, argued that the Fed should focus on controlling inflation, not trying to manage the cycle of booms and busts.

Mr. Greenspan agreed, and let the tech-stock bubble run its course. The strategy looked like a winner. The 2001 recession was mild; the unemployment rate never exceeded 6.3%. Gross domestic product, the value of U.S. output, declined just 0.3% from its peak in the fourth quarter of 2000. As late as 2006, Fed officials were congratulating themselves and being applauded by many economists for the deft handling of that episode.

One of the few doubters was William Dudley, then chief economist at Goldman Sachs and now president of the New York Fed. He is one of the Fed's more outspoken proponents of preventing bubbles, and has said it's not as hard to spot them as many economists believe. "I can identify at least five bubbles that one could reasonably have

IN DEPTH

Bigger boom, bigger bust | The housing and the tech-stock busts



Sources: New York Federal Reserve; Federal Reserve; Labor Department; Commerce Department

identified in real time," including the tech boom, Mr. Dudley said in 2006 speech. He knew, he said, because he had speculated against three of them himself when he was at Goldman.

Fed officials are now debating the differences between bubbles as a way to understand them better and come up with the right solutions. Two economists influencing the debate are Tobias Adrian, a New York Fed researcher, and Hyun Shin, a Princeton professor. Their work shows that the credit bust was preceded by an explosion of short-term borrowing by U.S. securities dealers such as Lehman Brothers and Bear Stearns.

For instance, borrowing in the so-called repo market, where Wall Street firms put up securities as collateral for short-term loans, more than tripled to $1.6 trillion in 2008 from $500 billion in 2002. As the value of the securities rose, so did the value of the collateral and the firms' own net worth. That spurred firms to borrow even more in a self-feeding loop. When the value of the securities started to fall, the loop went into reverse and the economy tanked.

The lesson: The most dangerous part of a bubble may not be the rise in asset prices, but the level of debt that builds up at financial institutions in the process, fueling even higher prices. That means keeping these debt levels down might be one way to prevent busts.

The New York Fed's Mr. Dudley and others want to stop these kinds of borrowing spirals. The New York Fed, for example, is looking to increase its oversight of the repo market. It's considering whether to toughen collateral requirements on these loans so it's not as easy for firms to ramp up their borrowing in a boom.

Daniel Tarullo, the newest Fed governor, is organizing a new Washington-based swat team of analysts, supervisors, lawyers and accountants whom Fed officials dub the "quantitative surveillance" group. They are to troll through data on big financial firms looking for risks lurking in the system that officials will try to stamp out.

Bank regulators in the U.S., Europe and elsewhere are also considering rules that would require banks to have bigger capital cushions to discourage them from expanding too aggressively.

Mr. Adrian and Mr. Shin find low rates feed dangerous credit booms, and thus need to be a factor in Fed interest-rate calculations. Small additional increases in rates in 2005, they say, might have tamed the last bubble. "Interest-rate policy is affecting funding conditions of financial institutions and their ability to take on leverage," says Mr. Adrian. That, in turn, "has real effects on the economy."

His co-author, Mr. Shin, says "clumsy financial regulations" aren't enough to stop boom-bust cycles. "This would be like trying to erect a barrier against the incoming tide using wooden planks with big holes," he says. Using interest rates is the "most effective instrument" for regulating risk-taking by firms, he says in a new paper.

No one at the Fed has yet come out in favor of raising interest rates to stop the next bubble, but the idea is being discussed more seriously among Fed officials. Mr. Bernanke has been following Mr. Adrian's work closely.

One problem is that economists don't have models that prescribe how much interest rates should go up when asset prices or financial leverage run to excess, though several leading researchers, including Mr. Shin and Mr. Adrian, are starting to work in this area.

Donald Kohn, the Fed's vice chairman, was one of the strongest proponents of the old don't-pop-bubbles view. Today, he says, he has much less conviction about that strategy. Still, he worries that using higher interest rates to tame an asset boom would be like using a sledgehammer to drive a tack—it might stamp out the boom but it would do a lot of peripheral damage in the process.

"You raise interest rates [to fight a bubble] and you damp all kinds of capital spending and consumer durable spending," said Mr. Kohn in an interview.

Mr. Bernanke is leaving himself hedged. If he felt stamping out a bubble with higher rates would forestall a rise in inflation or stabilize the economy, "We'd have to think about that very seriously," he told the New York Economic Club recently. "We can never say never."

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Online today: Read comments from Mr. Bernanke and other policy makers about bubbles, plus see a timeline of Mr. Bernanke's time on the job at **WSJ.com/Economy**

Questions Bernanke should face during hearing on his performance

[Capital]

By David Wessel

U.S. Federal Reserve Chairman Ben Bernanke has testified 16 times before congressional committees since the scary days of September 2008. Thursday's hearing is different because its sole focus is Mr. Bernanke's performance.

The Fed has become a lightning rod for public anger that Wall Street got bailed out and Main Street didn't. Senators will use the hearing to show voters they get it—and then, with some dissents, extend Mr. Bernanke's term.

Senators are notorious for talking, not posing questions, but here a few they might ask:

Unemployment is at 10.2% and rising, and the Fed expects it to fall very slowly. Why do you tolerate this?

Most Fed officials see unemployment remaining above 8% in 2011 and between 6.8% and 7.5% in 2012, levels usually seen in recessions. They see inflation as "subdued for some time." Although in no rush to raise interest rates from zero, Fed officials dwell increasingly on their "exit strategy," as if their job is done. Preventing Depression 2.0 was a stellar achievement, but is there no alternative to years of high unemployment?

If the Fed has done all it can, then should Congress and the president do more on the tax and spending side? That isn't Mr. Bernanke's job, but Fed chairmen inevitably are seen as economic wise men. So, Mr. Bernanke, was the Obama stimulus, which you favored, too big or too small? Well designed? Would another dose help by boosting demand or hurt by widening the budget deficit and risking higher bond-market interest rates? Would a payroll-tax holiday encourage hiring?

Why didn't the Fed force AIG counterparties to take less than 100 cents on the dollar in September 2008?

Mr. Bernanke has been grilled on why he let Lehman Brothers go into bankruptcy (he says, now, that he didn't have legal power to prevent it) and on what he told Bank of America Chief Executive Ken Lewis last December (he insists he made no explicit threats or promises but made clear he wanted the Merrill Lynch deal done.) Ask about American International Group, and he winces and says he reluctantly OK'd a loan to "avert the risk of a global financial meltdown."

At a March hearing, some congressmen asked why big banks that placed bets at the AIG casino got paid at 100 cents on the dollar. Mr. Bernanke said that the law should be changed so next time pain could be spread more evenly, but let Treasury Secretary Timothy Geithner, the former New York Federal Reserve Bank president, do more of the talking.

"Was there any discussion over a haircut—taking 95% or 90% as full payment?" asked Rep. Spencer Bachus (R., Ala.). Mr. Geithner replied, "We explored at that time every possible means to reduce the drain on [AIG's] resources....[W]e did not have the ability to selectively impose losses on their counterparties." Since then, an inspector-general report reveals that the New York Fed asked eight big banks in November 2008 if they would settle for less. Except for UBS, the banks and French bank regulators refused. So the Fed paid up. At other moments, Mr. Bernanke and then-Treasury Secretary Henry Paulson leaned on banks so hard that they acquiesced even if they didn't legally have to. Why not this time?

Why should private bankers play any role in governing regional Fed banks?

As part of the compromise that gave birth to the Fed in 1913, private bankers pick six of the nine directors of each of the regional Fed banks. These directors help pick the bank presidents, who, in turn, help make monetary and regulatory policy. Since the Fed supervises banks and decides which live and which die, doesn't this anachronism create a perception of crony capitalism and undermine the Fed's legitimacy?

Insulating the Fed from political pressure to keep interest rates too low is crucial, but not every 96-year-old facet of the Fed is essential. The Fed can't have it both ways: Either the private-sector boards are important, and having bankers on them is unwise. Or the boards aren't important, and having bankers on them is unnecessary.

Why didn't the Fed do better at bank oversight before the crisis? And what is it doing differently?

The Fed says it did better than other bank regulators. OK. But it didn't do good enough. Mr. Bernanke insists that the Fed cannot do its job without supervising big banks. And he disagrees with Mervyn King, governor of the Bank of England, who says the only answer is to have smaller banks.

But then he must be forthright on what the Fed got wrong, what lessons were learned and who at the Fed has been held accountable. The Fed did replace its top bank supervisor, but what else? What do internal reviews reveal? More broadly, how does a beefed-up Fed deal with a fundamental problem? "As we saw in the 1920s," says economist Simon Johnson, "a lightly regulated financial sector can produce a boom, based on a high degree of debt, that causes major disruption when it crashes and leads to a Great Depression—even if the major banks are (initially) saved." Is there any remedy?

And one more, after the senators get through whipping him: Why exactly do you want to go through this for another four years, Mr. Bernanke?

FROM PAGE ONE

Getty Images

A U.S. soldier fingerprints and photographs Afghan men, part of a registration process used to screen for enemy combatants. The U.S. plans to send an additional 30,000 reinforcements to Afghanistan.

Afghans respond unfavorably to Obama plan

Continued from first page

Tuesday to discuss it, said Farahatullah Babar, his chief spokesman. James Jones, the U.S. national security adviser, also spoke on the phone Tuesday to Prime Minister Yousuf Raza Gilani, who was on an official visit to Germany. Richard Holbrooke, the special U.S. envoy on Afghanistan and Pakistan, spoke to Nawaz Sharif, the main opposition leader, a senior Pakistani official said.

A number of Afghan officials support shifting U.S. troops to the Afghan-Pakistan border to stop insurgent crossings. They said Wednesday that talk of removing troops could signal that the U.S. isn't committed to a long-term presence in the region.

U.S. officials in Kabul said the possible transfer of troops in two years' time doesn't signal that the U.S. will abandon the country.

"We'll be here one way or another. We hope that by the summer of 2011 the Afghan security forces and the Afghan government will begin to start taking over some of the main responsibilities," said a U.S. official in Kabul. "But the U.S. and its military will still be here after that date."

U.S. officials said the big question about the withdrawal plan is whether the Afghan forces would be in a position to take a leading role by the summer of 2011. While officials are focused on increasing the size of the Afghan ranks—they aim to increase the size of the Afghan forces to 240,000 soldiers and 160,000 police in the coming years—the forces need improvement. Illiteracy is widespread among the ranks, and basic skills required for effective modern warfare, such as map reading, are largely lacking.

"We're still not at the point where the Afghans can either stand on their own, or at least lead or plan missions," said First Lt. Richard Allis, a U.S. Marine involved with training Afghan troops. "I'd say we are at least four, five years away from that."

An even bigger challenge is the Afghan police, an uneven force that is widely accused of corruption. "The police development is still four to five years behind the army's," said Maj. Gen. Richard Formica, the outgoing commander overseeing the training efforts here.

To address some of these concerns, Gen. Stanley McChrystal, the top U.S. commander in Afghanistan, said Wednesday that some of the incoming troops will be devoted solely to training the Afghan forces. The units will live together and plan and conduct joint missions. Previously, a small number of mentors were embedded with each Afghan unit.

In Kabul and other cities, where life has improved markedly since the arrival of U.S. forces, the news sparked concerns. "If the Americans start to leave Afghanistan, the weak army and police combined with the resurgent Taliban could eventually lead to a civil war," said Mazid Sohil, 25, an engineer from Kabul.

In the rural Pashtun countryside, which has been the scene of incessant fighting in recent years, sentiment favoring troop withdrawal is higher. "People here are tired of the fighting and tired of the American presence," said Habib Gul Stanakzai, a teacher from the southern province of Zabul. "I hope the Americans are true to their words and leave."

NATO allies welcome and defend new U.S. strategy

By Stephen Fidler

BRUSSELS—America's European allies welcomed U.S. President Barack Obama's decision to send a further 30,000 troops into Afghanistan, saying the extra U.S. contribution would shake out further military commitments from other members of the North Atlantic Treaty Organization.

Hours after the president's speech, diplomats meeting at NATO's Brussels headquarters drafted a statement saying the allies "strongly welcome" Mr. Obama's decision.

The statement is expected to be released Friday at the end of a two-day meeting of NATO foreign ministers in Brussels to be attended by U.S. Secretary of State Hillary Clinton. It will say the U.S. move "underlines our commitment to help build lasting security and stability in Afghanistan, which remains the alliance's key priority," according to the text agreed to Wednesday.

NATO Secretary-General Anders Fogh Rasmussen said U.S. allies in 2010 will send "at least 5,000 more soldiers to this operation, and probably a few thousand on top of that."

The U.S. currently has more than 68,000 military personnel in the country, while the 27 other members of NATO and 15 non-NATO partner nations have 38,000.

European diplomats said Mr. Obama had managed to show strong U.S. support for the Afghan mission, while his decision to limit the troop surge to 18 months had managed to avoid what one called a "Vietnam-style slippery slope."

Diplomats said the message would be welcomed in Europe, where opinion polls suggest the conflict is increasingly unpopular. U.K. politicians had been irritated by the slow pace of Mr. Obama's deliberations, but on Wednesday Prime Minister Gordon Brown welcomed Mr. Obama's announcement.

However, opposition Conservative politicians criticized Messrs. Brown and Obama for setting deadlines. Patrick Mercer, a member of Parliament for the opposition Conservative Party and a former British army officer, said deadlines "go against all the maxims of counterinsurgency. You don't talk about deadlines, you talk about goals. When you start to link them to time you give strategic advantage to your enemies," he said.

Mr. Rasmussen, the NATO chief, said the alliance wasn't talking about an "exit strategy" but a "transition strategy" under which responsibility for security would be transferred to Afghan forces, starting in 2010, where and when it was warranted.

Because of troop rotations, calculating national contributions at any one time can be tricky.

A number of governments have already announced they would boost troop numbers to back the new U.S. commitment, including Britain, Poland, and Slovakia. Some countries, such as Italy, are expected to further increase numbers beyond extra troops already there for the Afghan elections. Turkey has increased its troops in the country by 1,000 in recent weeks to 1,700, having taken over the NATO regional command in Kabul.

These commitments put added pressure on Germany and France to increase troop numbers, but both governments have indicated that they aren't inclined to do this before an international donors' meeting on Afghanistan scheduled to take place in London on Jan. 28.

Military commanders gather Dec. 7 at NATO's military headquarters in Mons, Belgium, to start talking about the extra troop commitments and how they might be deployed.

Diplomats said they expected the extra troops would be mostly deployed where their existing national contingents are already stationed, with the possible exception of the Southwest. Many insurgents flee to this region, around Farah, when they come under military pressure in the South, and a new U.S. command may be created there as recommended by Gen. Stanley McChrystal.

Some governments are expected to come under renewed pressure to reduce the number of exclusions—known in NATO jargon as "caveats"—that limit the number and type of operations that some national forces are permitted to join.

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Gold sets new mark over $1,200

By Matt Whittaker

Gold futures set another intraday record as the metal remains supported on continued investor risk appetite, inflation concerns and an overall aversion to the greenback.

The rally in gold futures put the metal on track for its first-ever close above $1,200 per ounce in New York trading. The front-month December contract fell 90 cents short on Tuesday.

The metal could be headed higher, analysts said. Since last month, gold has been rallying on increased investor interest in commodities, equities and higher yielding currencies at the expense of the dollar. Some are also buying gold as a hedge against potential future inflation stemming from accommodative monetary policy.

"The yellow metal looks set to make further headway as the metal is swept along by increasing systemic risk appetite, longer-term inflation concerns and diversification from the dollar, with $1,250 the next likely target," said James Moore of TheBullionDesk.com.

In late-morning trade, the front month December contract was up $11, or 0.9%, to $1210.120 on the New York Mercantile Exchange. Tuesday's settlement of $1199.10 was the 25th record close this year. The most-active February contract was up $14.80, or $1.2%, to $1,215.

Gold's gains came even as the dollar was mixed in reaction to a report from Automatic Data Processing and Macroeconomic Advisors that showed U.S. private-sector jobs fell by 169,000 in November, more than the 150,000 jobs economists had predicted were lost.

As gold prices continue to set records, **Barrick Gold** Corp, the world's largest gold miner, announced Tuesday it had eliminated its gold hedges, at an average price of $1,070 an ounce, well ahead of its previously announced September deadline. The company said it accelerated the elimination of the contracts because of its positive view on gold prices.

"Barrick's announcement yesterday is an indication of producers' confidence in gold prices going forward and potentially could trigger further sharp price gains in the short-term, speeding up the pace of close-outs amongst those with remaining hedge commitments," Mr. Moore said.

But Barrick's news also had some bearish strings. The elimination of hedges by Barrick and other miners has been a steady source of demand in recent years, propping up prices as companies often had to buy the gold from the over-the-counter market to close out presold contracts.

Central banks have become net buyers, however, adding some support for gold.

Gold futures
Daily settlement price on the continuous front-month contract on the Comex division of Nymex

11 a.m. in NY: **$1,210.10** per troy ounce, up **$11.00**

Sources: WSJ Market Data Group, Reuters (photo)

Right: Gold bars are displayed at a branch of Mitsubishi Materials Corporation in Tokyo.

GM chairman takes over after CEO's departure

By John D. Stoll And Kate Linebaugh

Facing increasing pressure from his board of directors, **General Motors** Co. Chief Executive Frederick "Fritz" Henderson resigned, leaving the company in the hands of its chairman, Edward E. Whitacre Jr.

Mr. Whitacre, a former **AT&T** Inc. CEO who was brought in by the U.S. government this summer to force GM into a hard-nosed restructuring, will serve as interim chief executive until a successor to Mr. Henderson is found.

"I am now convinced more than ever that our company is on the right path," Mr. Whitacre said Tuesday at a hastily organized news conference at GM's Detroit headquarters. "But we now need to accelerate our progress toward the goal of returning to profitability and repaying the U.S. and Canadian governments."

GM was reorganized in bankruptcy court with the help of about $59 billion in loans from the U.S. and Canada. The U.S. now owns a 68% stake in GM, and Canada, 8%.

On Tuesday, Mr. Henderson and the board agreed a change in leadership was needed, said GM spokesman J. Christopher Preuss. "Given where we are at this point, the board and Fritz made this decision," Mr. Preuss told reporters.

"There was no direction or input from the government," he said. "It was completely by the board and of the board."

Mr. Whitacre, sounding weary, declined to take questions. "It has been a hectic day," he said, promising to elaborate on the matter in a few days.

The White House and Treasury Department declined to comment on Mr. Henderson's departure. "We were not involved in the decision," said a Treasury spokeswoman. A White House adviser also insisted the administration had no involvement in the move.

In recent weeks, differences surfaced between Mr. Henderson and some board members, including Mr. Whitacre. Mr. Henderson had planned to sell a majority stake in GM's Opel unit in Europe until the board voiced opposition and eventually overturned the plan in November.

Mr. Whitacre also said recently in an interview with The Wall Street Journal that the board wasn't comfortable with management's forecasts for 2010 and indicated the CEO's timetable for an initial stock offering could be too optimistic.

In addition, GM's deal to sell its Swedish Saab brand fell apart last week. Mr. Henderson went into a two-day board meeting Monday ready to let Saab die but the directors decided to take a closer look at a new crop of offers, people familiar with the matter said.

Mr. Henderson didn't participate in the news conference Tuesday and didn't return calls seeking comment.

Mr. Preuss said GM would launch a search for a new CEO. Bringing in an outsider as CEO would be a dramatic cultural change for GM, a company that in the past ran its own management-training institute and relied almost exclusively on home-grown talent.

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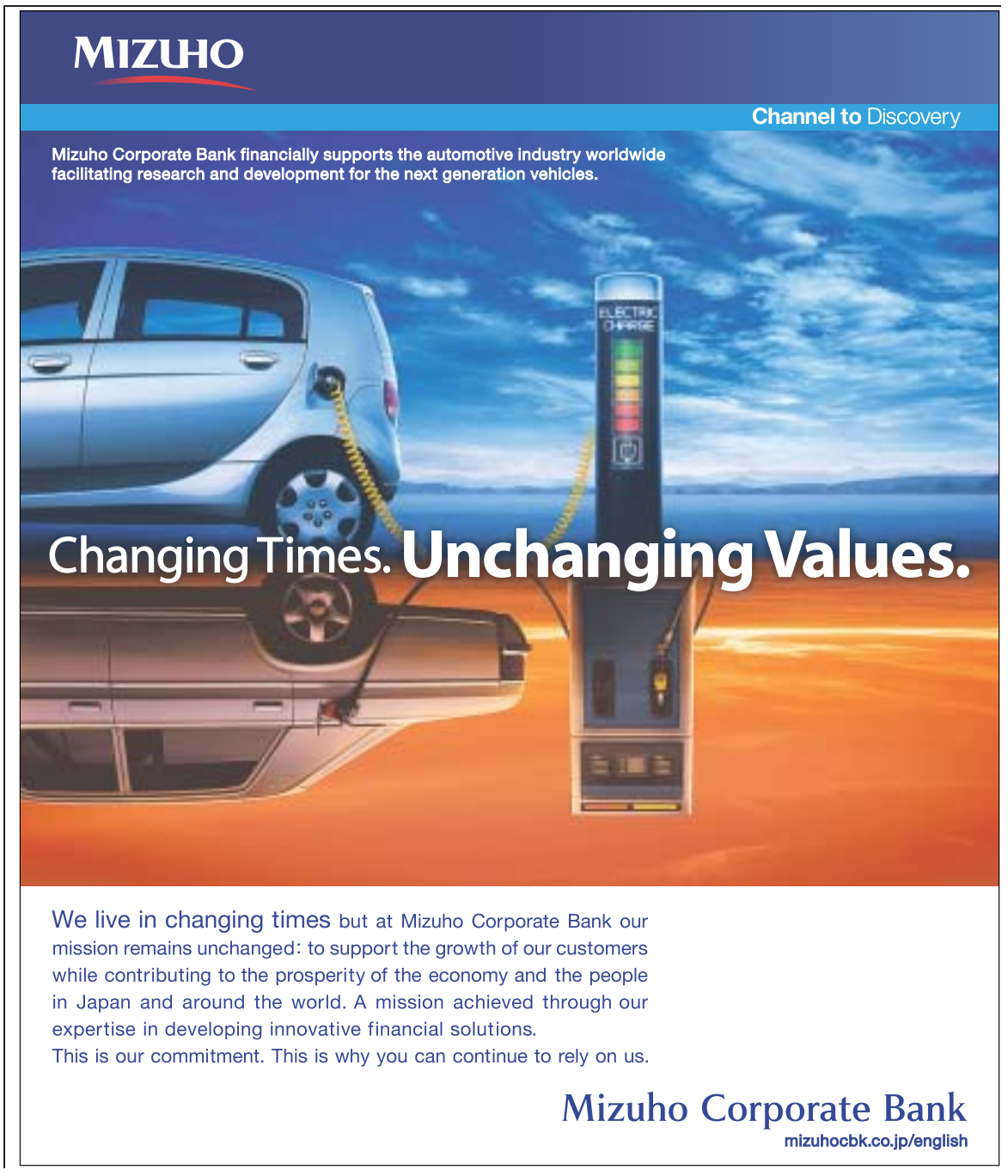
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Fiesta aims to be 'global' car

Ford's U.S. subcompact has much in common with Europe version, but 40% of parts are unique

By Matthew Dolan

Ford Motor Co.'s newest attempt at a global car still has a long way to go.

Ford on Wednesday introduced its new Ford Fiesta subcompact at the Los Angeles Auto Show. The car's launch in the U.S. early next year will mark a new beginning in a strategy to build the same model in all markets world-wide.

In previous attempts, Fords with the same name often bore little resemblance to each other in different markets. But even in its latest effort, the U.S. version of the Fiesta will share only 60% of its parts with its brethren in Europe, where the model was launched last year.

The U.S. Fiesta will have a different transmission and wheels, wider seats, bigger bumpers and brakes with a softer touch.

Some of these differences, such as the bumpers, are needed to meet U.S. safety standards. Others have to do with the American taste for softer-riding vehicles with cushier seats. And Americans generally shun the manual transmissions that many Europeans prefer.

Ford's product-development guru said the Fiesta marks substantial progress for a company that often operated regionally. Another model due out in 2010, a revamped Ford Focus, will have 80% of its parts in common with its European version.

"This is the way you drive profitability for small cars," said Derrick Kuzak, Ford's group vice president for global product development, referring to the economies of scale that come from building the same models in mass volumes world-wide.

General Motors Co. has taken a similar approach with its Chevrolet Cruze compact, now sold in dozens of markets and coming to the U.S. next year. Its underpinning also will be used to create the VoIt, GM's first plug-in electric car.

Ford in the past brought European-designed cars to the U.S. with limited success, often because the vehicles were stripped down to cut costs. In the 1980s, the Mercury Merkur, a sports car Ford made in Germany, failed to take off in America. Years later, Ford spent billions to introduce the Ford Contour and Mercury Mystique, both based on European designs. But they were beset by early recalls, competition from Ford's own Taurus sedan and tepid reviews.

Ford Motor Company

Ford introduced a new version of its Fiesta at the Los Angeles Auto Show on Wednesday.

The new Fiesta represents another test for Ford: Can it sell, at a profit, a subcompact car to Americans hooked on Toyotas, Hondas and Hyundais?

Customers shopping for small models rarely consider domestic brands. "We weren't on their radar screen," said Jim Farley, Ford's group vice president for global sales and marketing.

Mark Fields, Ford's executive vice president, called the Fiesta launch "the single largest opportunity for Ford" to compete in a car category where it has few offerings. Ford now sells the Focus compact sedan, but doesn't offer a model in the smaller subcompact segment.

Ford originally had no plans to bring the Fiesta to the U.S. Executives said their thinking changed as they watched gasoline rise to $4 a gallon in 2008.

Though gas prices have since fallen, the company is convinced customers will seek out small cars for fear prices could climb again. Sales data this year do show a customer shift from pickup trucks and sport-utility vehicles to cars.

Though subcompacts historically have sold on price, small-car buyers aren't motivated by economic concerns alone, Mr. Fields said.

He said more than half of these buyers earn over $50,000 a year and almost one in four earns more than $100,000.

These buyers, according to Ford, include the impressionable first-time buyers as well as Baby Boomers looking to downsize. While Ford won't disclose pricing for the Fiesta, the tiny cars are expected to offer a big list of options that could boost their sticker far beyond the thrifty category.

Of those who buy subcompacts, "their highest customer want is design," said Mr. Kuzak, Ford's product-development chief. For car shoppers concerned that Ford has stripped out expensive features to save on costs, he said they shouldn't be worried. "We haven't dumbed it down," he said.

Fiesta will tout a fuel-economy rating of 40 miles per gallon, among other class-leading statistics.

Mr. Farley said that Ford will unveil an advanced-reservation system, rewarding early buyers by giving them a free in-car communications and entertainment system and not requiring them to make a down payment.

Company officials are convinced that with some of the latest technological features, the Fiesta will attract well-to-do buyers who choose to purchase a smaller car, but don't necessarily have to. The Fiesta "is a no-excuses vehicle," Mr. Fields explained.

One problem is that fancy compacts haven't always done well. BMW's Mini was a hit, but sales of the **Honda Motor** Co. Fit have been as volatile as fuel prices.

But Paul Anderson, Ford's small car marketing manager, said small car buyers will save up to shell out for the features they want.

"They will plan their spending around being able to being social connected," Mr. Anderson said. "The technology has to be simple and it has to be intuitive."

Sinochem deal to buy Nufarm remains likely

By Ray Brindal

CANBERRA, Australia—**Sinochem** Corp.'s proposed takeover of **Nufarm** Ltd. of Australia is likely to proceed despite the Chinese state-owned company overshooting a deadline to make a formal offer of 2.84 billion Australian dollars (US$2.63 billion), Australian analysts said Wednesday.

The two agricultural-chemical companies signed an exclusive agreement Sept. 27 on a nonbinding proposal for Sinochem to acquire Nufarm at an indicative price of A$13 a share.

With the exclusivity period set to end Thursday, talks will continue on a nonexclusive basis. Beijing-based Sinochem said Tuesday that it aims to complete its due diligence on Nufarm as quickly as possible.

Nufarm said separately late Tuesday that it will continue working with Sinochem toward a transaction-implementation agreement, or TIA, to be negotiated and executed on the previously agreed upon terms by Dec. 23.

The execution of a TIA is subject to Sinochem being satisfied with the results of its due diligence and approval by Sinochem, relevant Chinese authorities and the board of Nufarm, the Chinese company said.

The deal also would require the approval of Australia's Foreign Investment Review Board. Macquarie Equities Research said it doesn't expect any issues with this as Nufarm's assets "are unlikely to be of great national significance."

Wary of greater risk, investors marked down Nufarm shares 6.5%, or 73 Australian cents, to A$10.51.

Yet Credit Suisse analysts said the TIA is likely to be signed by Dec. 23.

When Sinochem and Nufarm agreed to the deal in September, it was set to be the largest takeover by a Chinese entity of an Australian company. But it was eclipsed in October when the FIRB approved a A$3.54 billion takeover of coal miner **Felix Resources** Ltd. by **Yanzhou Coal Mining** Co.

INDEX TO BUSINESSES AND PEOPLE

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Corrections & Amplifications

North Korea redenominated its currency, the won, this week. A World News article Wednesday incorrectly called the move to trade old currency for new at a rate of 100 to 1 a revaluation.

Chinese economist Yu Yongding gave a speech on China's response to the financial crisis last month in Melbourne, Australia. A World News article Monday incorrectly said the speech was given in Sydney.

Supporters of a referendum to ban the construction of minarets in Switzerland had to gather 100,000 signatures to advance the initiative. A World News article about the ban on Monday incorrectly said 50,000 signatures were required.

Northrop weighs retreat on tankers

Defense firm threatens to pull out of competition for aerial-refueling jets, potentially ceding job to Boeing

By August Cole

Northrop Grumman Corp. told the Pentagon Tuesday that it might not bid on a $40 billion Air Force contract to supply tanker jets for aerial refueling, raising the prospect **Boeing** Co. could be the sole bidder for the politically charged job.

Northrop President and Chief Operating Officer Wes Bush wrote in a letter to the Pentagon's top weapons buyer that unless major changes were made in how the Air Force was going to select a winner, "Northrop Grumman cannot proceed to submit a bid to the Defense Department." Mr. Bush is slated to become chief executive next year.

Northrop's stance threatens to unravel a bidding process that has dragged on for more than eight years and exemplifies the Pentagon's struggle to complete costly and complicated weapons deals. In its past two attempts, the Pentagon got tripped up by its own officials as well as political and legal maneuvering by the two rival contractors.

The Air Force is seeking to buy 179 converted civilian jetliners to be effectively flying fueling stations. Because it has been unable to buy new planes, it continues to use a fleet that dates back to the Eisenhower era.

AP Photo/Azamat Imanaliev

Above, U.S. Air Force refueling jets, shown in Kyrgyzstan in February. The U.S. is trying to replace such decades-old jets.

Northrop, which doesn't make commercial planes on its own, is submitting a modified Airbus A330 jet. It believes that the guidelines set forth by the Pentagon put it at a disadvantage because Boeing's likely entry, a 767-based tanker, is smaller and cheaper. Northrop argues that its plane would cost more per plane but deliver greater value because it is bigger and can carry more fuel.

Northrop's letter is part of a calculated but high-stakes strategy. Pulling out of the bidding completely would embarrass the Pentagon, which would be left with one bidder. That could expose the agency to charges that it failed to get the best deal on one of its largest acquisitions.

By making its threat so early in the latest round of bidding, Northrop might be able to get the Pentagon to alter the contract terms in such a way as to eke out an advantage. The bids are due next year.

A Northrop spokesman said the company expects the Defense Department "will modify its approach to the tanker procurement that will result in a full, fair and transparent competition."

A Boeing spokesman said his company is "focused on constructive engagement with our customer in order to offer an advanced tanker that meets their need."

With the bidding program, the Obama administration is attempting to start fresh on an effort that dates back to 2001. In 2001, the Air Force embarked on a plan to lease 100 aerial tankers from Boeing. But that attempt fell apart when it ran into opposition from Arizona Republican Sen. John McCain, who argued that it amounted to little more than a sweetheart deal for the aerospace giant.

The Air Force launched the tanker competition in 2006, and awarded the work to Northrop in 2008. But last year, Boeing successfully contested that decision, forcing the Pentagon to scrap the contract and start over.

Knowing that the stakes were high, Pentagon officials sought to simplify the bidding process this time around in the hopes of avoiding another costly dispute. But that quickly led to charges of favoritism.

Alabama Republican Sen. Richard Shelby, in whose state Northrop would assemble the Airbus tankers, said in a statement Tuesday that the Air Force's draft request for a proposal "is practically a sole-source contract to Boeing. It's a sham."

Rep. Norm Dicks (D, Wash.), one of Boeing's most vocal backers in Congress, said he planned on telling "everyone in the [Obama] administration I can to convince them this is a fortuitous event." He said he hoped the Air Force wouldn't accede to Northrop's wishes.

A Defense Department official said both companies asked for changes in terms, but said the process didn't favor either side. The official also said the Pentagon wants a competition but can't compel both companies to bid.

GM chairman takes charge after CEO quits car maker under pressure

Continued from page 17

Hiring an outsider could be difficult, however, because GM is bound by the executive-pay restrictions put in place by the Obama administration on companies and banks that received federal bailouts.

People familiar with the matter said the announcement came as a complete surprise to GM's management team. After the board meeting, Mr. Whitacre sat down with GM executives, saying little more than he did when he faced the media a few moments later, these people said.

Mr. Henderson had been scheduled to give a keynote address at the Los Angeles auto show Wednesday. The address was given instead by Robert Lutz, GM's head of marketing.

Mr. Lutz told the attendees he was surprised and saddened by Mr. Henderson's departure but declined to say anything more about it. "You'll have to wait until I publish my next book," he said.

Privately, members of GM's board, including **TPG Capital** chief David Bonderman and Stephen Girsky, a onetime auto analyst, had been pressing Mr. Henderson and his staff for more concrete data on the business, and more clarity on GM's direction, said people familiar with the situation. A key question was how Mr. Henderson's team would lower customer incentives and, at the same time, boost market share.

One misstep appears to have been Mr. Henderson's strategy with Opel. His plan, to sell control of the unit to Canadian auto supplier **Magna International** Inc., befuddled some board members. In meetings, directors asked how GM would proceed with a global strategy if one of the biggest pieces of that strategy was no longer under GM control.

Ultimately, Mr. Whitacre is expected to do one of two things in regard to GM leadership, according to a person familiar with his thinking. He could stay on as CEO for an extended period, creating a radically different structure that more closely mirrors the telecom companies he used to run, or he will look for a pure outsider who can come into GM with a fresh set of eyes. Mr. Whitacre himself said upon taking the GM post that "I don't know anything about cars."

Reuters

Frederick 'Fritz' Henderson stepped down as GM's chief executive.

One of the blueprints for Mr. Whitacre promises to be **Ford Motor** Co., which brought in Alan Mulally as CEO from **Boeing** Co. in 2006, this person said. Mr. Mulally, a lifetime airline engineer and executive, revamped Ford with fewer brands and a focus on remaking its balance sheet.

Mr. Henderson, 51, took the reins of GM in March after the government forced the resignation of Chairman and CEO Rick Wagoner. The government wanted to name Mr. Henderson interim CEO, but he objected, saying the interim tag would reduce his ability to force change.

Mr. Henderson's career at GM began in 1984 after he graduated from the University of Michigan and Harvard Business School. The Detroit native, whose father was a GM executive, started in GM's treasurer's office.

In the past decade, Mr. Henderson developed a reputation as one of GM's turnaround specialists, starting with a restructuring of its Asian operations. In 2004, he was dispatched to overhaul the European operations, but GM Europe has continued to lose money and market share.

Mr. Henderson had an important role in GM's efforts to cut labor costs by negotiating new contracts with the United Auto Workers union. He also played a central part in GM's restructuring and bankruptcy, and in the negotiations among government officials, union leaders and creditors to secure federal loans.

Mr. Henderson was often more blunt than other executives in his public assessments of GM's problems, and as finance chief he offered more details than predecessors about GM's increasingly grim results. That helped to win over skeptical government officials who thought the company needed a culture change.

Steven Rattner, who headed the auto task force when Mr. Henderson was elevated to replace Mr. Wagoner, said recently that Mr. Henderson was given the chance to lead the new GM despite coming from the same culture and management team. "The overarching question mark is whether without an infusion of new blood its management team can implement the massive cultural change that is needed," Mr. Rattner said in October.

"It was too much to expect an insider to do what needs to be done at GM," said John Casesa, a veteran Wall Street auto analyst and former GM product planner. "It was asking Fritz to go in and excommunicate a bunch of family members and ask them to choose another religion."

"I never thought Fritz was a permanent solution," added automotive turnaround veteran Pat O'Keefe, who doesn't work for GM. "He was part of the old guard."

By choosing Mr. Whitacre as interim CEO, the board may have wanted someone as proactive as its members have been and who had the added benefit of experience in mergers and acquisitions as well with government oversight while working in the telephone industry.

"GM just had the failed sale of Saturn and failed sale of Saab so maybe [Mr. Whitacre] brings something in his tool kit to handle that," said Mr. O'Keefe, the managing member of O'Keefe & Associates.

—Neil King Jr. and Matthew Dolan contributed to this article.

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CORPORATE NEWS

McDonald's president retires

Alvarez, possible successor to Chief Executive Skinner, cites health reasons for departure

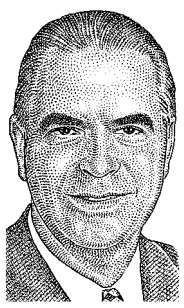
By Julie Jargon

Ralph Alvarez, widely regarded as the likely successor to **McDonald's** Corp. Chief Executive Jim Skinner, abruptly announced his retirement Tuesday, citing health reasons.

Mr. Alvarez, McDonald's 55-year-old president and chief operating officer, said longtime knee problems made the global travel required by his job too painful. "Seven orthopedic surgeries and years of chronic pain culminating in two total knee replacements in the past six months have made me realize it's time to move on," Mr. Alvarez said. His retirement will be effective Dec. 31.

Mr. Alvarez's retirement was unexpected, and it is unusual for a top executive at his age to step down for health reasons that aren't life-threatening. McDonald's spokesman Walt Riker said Mr. Alvarez was unavailable for further comment.

AP Photo
The Rock N Roll McDonald's restaurant in Chicago, shown in April.


Ralph Alvarez

Mr. Alvarez rose through the ranks since joining the burger giant in 1994, serving as president of McDonald's Mexico, chief operations officer and president of McDonald's U.S. central division, president of McDonald's North America and president of McDonald's USA.

Many in the industry believed he was being groomed to succeed Mr. Skinner, 65 years old, as CEO.

McDonald's has a number of executives who have been cited by industry analysts as qualified to take over when Mr. Skinner steps down. They include Tim Fenton, president of McDonald's Asia, Pacific, Middle East and Africa; Janice Fields, chief operating officer of McDonald's USA; and Don Thompson, president of McDonald's USA.

"We have a very strong, highly experienced bench of talent around the world," Mr. Riker said. "This will be a smooth transition."

Succession planning at McDonald's took on new urgency in recent years after one chief executive died of an apparent heart attack and the other from cancer after stepping down to battle the disease. McDonald's directors devote one board meeting each year to succession planning.

McDonald's has been doing well during the recession. The Oak Brook, Ill., company has been outperforming the restaurant industry, posting positive same-store-sales growth while most chains have suffered falling sales. The company credits its performance to sticking with a strategy adopted several years ago to improve operations at existing restaurants rather than simply build new ones. Mr. Alvarez, considered an operations whiz, was an integral part of that plan.

Under his watch, McDonald's has broadened its menu to include salads and chicken sandwiches intended to appeal to mothers and has renovated thousands of restaurants, outfitting them with wi-fi access and leather couches. He also helped oversee the national rollout of specialty coffee drinks—the biggest new menu initiative the company introduced since offering breakfast in the 1970s. Sometimes when he visited stores, he would disguise himself in a baseball cap and sunglasses.

In 1998, Mr. Alvarez left the company temporarily after supervisors learned he had had a personal relationship with a female subordinate. He became a regional director at Chipotle Mexican Grill Inc., in which McDonald's then had a small stake. In 2000, McDonald's hired him back as president of the company's Mexico division.

Former CEO to pay Siemens $7.5 million

By Archibald Preuschat And Matthias Karpstein

MUNICH—**Siemens** AG reached settlements with two former chief executives and four other top managers over damage claims tied to a bribery scandal.

The settlements mark a closing chapter to a corruption case that damaged the German industrial conglomerate's reputation and forced the resignation of several high-ranking executives.

Long-serving former Chief Executive Heinrich von Pierer agreed to pay the company €5 million ($7.5 million). His successor, Klaus Kleinfeld, agreed to pay €2 million, the company said. Former management-board member Juergen Radomski agreed to pay €3 million, his lawyer said.

The company also said it reached agreements with former management-board members Johannes Feldmayer and Uriel Sharef and former supervisory-board Chairman Karl Hermann Baumann.

The six settlements range in value from €1 million to €5 million, Siemens said. Three other former management-board members earlier this year agreed to pay €500,000 each, bringing total settlements to €19.5 million. The nine deals are subject to approval at the company's annual general meeting in January.

The nine Siemens managers weren't accused of criminal conduct. But many shareholders say they failed to fulfill their management and supervisory duties and pressured Siemens to seek damages.

Mr. von Pierer's lawyers said in a prepared statement that the settlement doesn't indicate he accepts the accusations against him, which he vigorously rejects.

A spokesman for Mr. Kleinfeld declined to comment. Representatives for Messrs. Feldmayer, Sharef and Baumann couldn't be reached.

Siemens is set to report quarterly results on Thursday.

Australia opposes Caltex deal with Exxon Mobil

By Ross Kelly

SYDNEY—Australia's competition regulator rejected **Caltex Australia** Ltd.'s proposed 300 million Australian dollar (US$277.5 million) takeover of **Exxon Mobil** Corp.'s Australian filling stations, highlighting an intense level of public and regulatory sensitivity to any deals in the gasoline sector.

In line with a preliminary evaluation it gave in September, the Australian Competition and Consumer Commission said Wednesday it will oppose the deal based on its likely effect on local market competition for the supply of gasoline, diesel and automotive liquid petroleum gas.

The regulator said it also has broader concerns about the effect of the acquisition on the "stability and effectiveness of coordination between major fuel retailers in determining prices."

The ACCC's decision sparked a call from lawmakers to launch another price-fixing investigation into the gasoline sector, just two years after the completion of a similar probe. It also scotches an attempt by Caltex, which is 50%-owned by **Chevron** Corp., to offset pressure on its refining business by expanding its fuel-marketing operations, and sets back Exxon Mobil's attempt to exit its relatively small-scale Australian operations.

The deal would have involved Caltex buying 302 filling stations from Exxon Mobil, increasing its market share at the retail level to 22% from 16% and putting it on a par with retailing giants **Woolworths** Ltd. and **Wesfarmers** Ltd.'s Coles, each with 22%, and just ahead of **BP** PLC's 19%.

The ACCC said it identified 53 sites that would likely have resulted in a substantial lessening of competition if the deal proceeded, likely resulting in higher prices for consumers.

Caltex said it will consider its position and plans to have further discussions with the regulator before determining any action.

Exxon Mobil said it was "disappointed, although not surprised" at the ACCC's announcement. "Mobil remains of the firm view that this sale will not result in a lessening of competition in the fuel market," a spokesman said Wednesday.

The regulator said Wednesday it was satisfied that Exxon Mobil will exit its Australian retail business within the next two or three years. "Under any likely alternative sale, the ACCC considers that a significant proportion of the sites would be purchased by retailers with a greater propensity to discount compared to the oil majors, including Caltex," the regulator said.

Korea's Cheil agrees to buy U.S. ad firm

By Suzanne Vranica

Cheil Worldwide Inc., Korea's largest advertising company by sales, said it has agreed to acquire well-known Boston digital-ad firm **Barbarian Group**, as it looks to grow in the U.S. ad market.

Barbarian has worked on behalf of advertisers such as **Time Warner** Inc.'s CNN, energy-drink maker Red Bull, **General Electric** Co. and **Burger King Holdings** Inc.

Specific terms of the cash deal weren't disclosed. Cheil said the deal is expected to close in 10 days. Barbarian will move its headquarters to New York.

Cheil was attracted to the agency because of its "creativity and innovative approach" to advertising, said Nack Hoi Kim, Cheil's CEO.

Barbarian received national attention in 2004 when it worked with **MDC Partners** Inc.'s Crispin Porter + Bogusky to create "Subservient Chicken," a successful ad campaign for Burger King. The ad effort included a Web site where a man in a chicken suit appeared to follow commands, like standing on one foot or doing yoga, typed in by the site's visitors.

Barbarian most recently helped create a special edition of **Hearst** Corp.'s Esquire magazine that used "augmented reality," a technology that mixes real-life images with graphics or other effects.

The deal will allow Barbarian to "scale up the company quickly," said Benjamin Palmer, chief executive officer of Barbarian Group.

Nokia expects handset volume to rise next year

By Gustav Sandstrom

STOCKHOLM—Finland's **Nokia** Corp., the world's largest handset maker, said it expects handset-industry volume to rise 10% next year as market conditions improve and said it would focus on stabilizing the price of its handsets.

"Going into 2010, the overall mobile-devices market is stabilizing and it is growing more in the areas where Nokia has competitive advantages," Chief Financial Officer Timo Ihamuotila said Wednesday, providing the company's first projections for next year.

Nokia said it expects to maintain its share of the mobile-device market in volume terms next year but aims to increase revenue by concentrating on stabilizing prices. Nokia said in October its average selling price was €62 ($94), down from €72 a year earlier.

Nokia had a third-quarter market share of about 38%, stable from the previous three months.

The Espoo-based company projected a measure of operating margin that excludes certain accounting items and other adjustments for its devices-and-services business at 12%–14% next year, up slightly from 11.4% in the third quarter.

Nokia in October reported a third-quarter loss of €559 million, hit by falling sales and a €908 million goodwill write-down on network-equipment maker Nokia Siemens Networks.

CORPORATE NEWS

Shoppers make a selective return

Luxury sales in the U.S. remain lower overall, but consumers step up their purchases of jewelry and electronics

By Ann Zimmerman

Recession-scarred shoppers are finally returning to stores in the U.S., although slowly and selectively, according to data released this week.

Sales tallies for the Thanksgiving holiday weekend were softer than retailers had hoped, which means they may not post robust sales gains Thursday, when many of them report November sales at stores open at least a year.

Other data, however, suggest that purchases of electronics and jewelry by shoppers showed impressive gains during November, in contrast with a year earlier, according to an analysis by MasterCard SpendingPulse, a MasterCard Advisors unit.

While overall sales of luxury goods are still down significantly, jewelry showed a 4.6% jump in November, the third consecutive month of growth for a segment that had been pummeled by the recession, according to SpendingPulse, whose estimates reflect all forms of consumer spending.

With November's numbers, jewelry sales have shown a three-month stretch of gains for the first time since July 2008, a sign of consumers' renewed appetite for discretionary items.

"Retailers sold about $2.1 billion of jewelry in November, which was up over last year, but still less than the $2.4 billion sold two years ago," said Michael MacNamara, vice president of research and analysis at SpendingPulse.

"But it is good evidence that we've bottomed," Mr. MacNamara added.

Major retail chains reported a 7.8% drop in sales in November 2008 amid a burgeoning financial crisis and tight credit. Unprepared for the slowdown in consumer spending, stores frantically marked down prices to move their holiday merchandise, battering fourth-quarter profits in the process.

While retailers have reported selling more electronics in recent months, declining prices on products such as flat-screen television sets have made it difficult for them to show year-to-year revenue gains.

In November, however, electronics sales increased 6.6% from a year earlier, fueled by hot videogame releases and a plethora of discounts, SpendingPulse said. Appliance sales also showed an uptick for the first time in nearly two years.

Luxury goods and men's and women's apparel are among the categories that continue to struggle. Mr. MacNamara pointed out that November sales of these products may look particularly weak because fire-sale prices succeeded in driving up last year's sales.

Sales for Thanksgiving weekend were up only moderately from a year earlier, but brisker store traffic led analysts to raise projections for November. Going into the holiday weekend, sales for the month were expected to rise 1.8%, according to Thomson Reuters.

Analysts now estimate they will rise 2.3%.

By contrast, the International Council of Shopping Centers tempered its estimate for November, and now expects store sales to have risen by between 3% and 4%, off from an earlier forecast for a 4% to 6% gain. The shopping-center trade group cut its estimate because the recent strength in electronics and e-commerce sales won't be reflected in the numbers to be released Thursday. **Best Buy** Co., **Wal-Mart Stores** Inc. and **Amazon.com** Inc., don't report monthly sales.

"Given the greater-than-expected sales momentum over the past few months, I think the holidays will come in better than generally expected," said Michael P. Niemira, the trade group's chief economist.

Mixed bag

November U.S. retail sales find the apparel sector struggling

	CHANGE FROM 2008	SALES, IN BILLIONS
E-Commerce	12.3%	$ 11.54
Electronics	6.6%	13.27
Jewelry	4.6%	2.09
Appliances	3.5%	2.30
Men's Apparel	**–1.9%**	**0.62**
Women's Apparel	**–3.8%**	**1.69**
Luxury	–7.3%	0.97
Footwear	–2.0%	1.52

Source: MasterCard SpendingPulse

Bloomberg News

A shopper at a Target department store in Minneapolis. Jewelry sales in the U.S. have increased for three straight months for the first time since July 2008.

Google to let publishers set limits on news links

By Scott Morrison

SAN FRANCISCO—**Google** Inc. said Tuesday it will let publishers set a daily limit on the number of articles readers can view for free through the Internet giant's search engine.

The change, which will let publishers limit readers to five free articles per day, comes as news executives step up their war of words against Google, which they claim is pocketing advertising profits on the back of their free content.

Critics include **News Corp.**'s Chief Executive Rupert Murdoch, who has complained about aggregators such as Google News that pull together snippets and links to news from a variety of sources. News Corp. publishes The Wall Street Journal.

Google and other Web companies have long countered that they help news organizations by sending Web users to their sites. Google has also noted news groups are free to block Google from indexing their sites and displaying their content.

Google's "first click free" program allows Google News or Google search user to find and read articles, even if they are behind a subscription paywall. The reader's first click to the content is free, but when a user clicks on additional links on the site, the publisher can show a payment or registration request.

Before the change, readers could read an unlimited number of subscription-only articles as long as they continued using Google.

Infosys to boost U.S. work force

By Dhanya Ann Thoppil

BANGALORE, India—**Infosys Technologies** Ltd. plans to nearly double its work force in the U.S. and remains on the lookout for acquisition targets in Germany, France and Japan, its chief executive said.

India's second-largest software exporter by revenue after **Tata Consultancy Services** Ltd. is planning to hire 1,000 employees in the U.S., Chief Executive S. Gopalkrishnan said in an interview.

The company, which had 1,200 U.S. employees as of March 31, had said in April it would hire more staff there. As of Sept. 30, it had a total of 105,453 employees.

Infosys gets about 66% of its revenue from the U.S. market. The company joins other Indian software exporters in gradually stepping up hiring to prepare for an expected increase in outsourcing deals as technology spending makes a modest comeback in developed nations.

The company has been trying to reduce its U.S. exposure by increasing its operations in Europe and Asia, which account for about 23% and 10% of its revenue, respectively.

"Ordinarily we look at a company of 10% of our size" for acquisition, Mr. Gopalkrishnan said, adding that a prospective target would have $300 million to $500 million in annual revenue.

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MARKETS

Veterans begin a new hedge fund

Guru Ramakrishnan, partners launch $300 million Meru Capital; a pickup in start-ups?

By Jenny Strasburg

Four founding partners of former **Citigroup** Inc. hedge fund Old Lane, including its ex-Chief Executive Guru Ramakrishnan, have launched a firm that is one of the biggest U.S. hedge-fund start-ups of the year.

The New York-based fund, **Meru Capital Group**, started trading Tuesday with some $300 million in capital, more than $75 million of that belonging to Mr. Ramakrishnan and partners, people familiar with the matter said.

Meru Capital partners' roots run back to Morgan Stanley, where Mr. Ramakrishnan was head of global equity trading until his 2005 departure alongside Vikram Pandit, now CEO of Citigroup. The next year they and other **Morgan Stanley** refugees co-founded Old Lane.

In July 2007, Citigroup paid some $800 million to acquire the hedge fund, but it struggled to gain traction and was closed in September 2008, an embarrassment for Citigroup. By then, Mr. Pandit had moved up as Citigroup's CEO.

Mr. Ramakrishnan, 44 years old, left Citigroup in December 2008.

Three other Meru principals—Jonathan Barton, Jeff Moskowitz and Ajay Khanna—also worked in trading or securities-financing roles at Morgan Stanley. They and Meru's other two founding partners, Upender Rao and Ashwin Kumar, all came out of Old Lane.

Kailash

Guru Ramakrishnan's résumé includes Old Lane, shut by Citigroup in 2008.

Meru Capital will trade stocks, currencies, derivatives and debt issued by companies and governments, among other instruments, according to a fund document. It is designed to move in and out of positions quickly and to keep any one position from becoming larger than 5% of the fund value that could be lost at any time. Those elements—liquidity and diversity of investments—are meant to address concerns stoked by the financial crisis.

A lot of hedge-fund clients were surprised in 2008 when their money got locked into hard-to-sell investments and they couldn't make withdrawals.

Meru Capital's launch is a sizable one in this environment, as hedge funds emerge from a fund-raising drought triggered by the crisis and exacerbated by a series of frauds and investigations.

"If you use the standardized yardstick, a $300 million launch is probably more like a billion-dollar launch" this year, said Vineet Kapur, Morgan Stanley's North American head of capital introduction.

Hedge-fund clients are taking months longer than they used to in deciding to write checks, and fund launches generally have been smaller and slower to get off the ground, Wall Street executives said.

"More of the talk about new funds has been for the winter and spring of 2010," said Phil Vasan, global head of Credit Suisse's prime-brokerage unit.

Prime brokerages clear hedge funds' trades and loan them cash, stocks and other securities in exchange for fees.

Morgan Stanley and **Credit Suisse Group** are providing prime-brokerage services to Meru Capital.

Other big prime brokers also are seeing an uptick in start-ups, after more than a year of more closures than launches.

Deutsche Bank AG's census of funds started this year, based on data collected by the bank's global prime-finance arm, counted 50 new funds in the U.S., just over 20 in Europe and 75 in Asia, most of those in Hong Kong.

Many of the new funds are being launched by managers spinning out of hedge funds where pay has fallen following 2008 losses, or from Wall Street proprietary-trading desks.

One of the biggest funds to launch in Asia this year is Hong Kong-based **Senrigan Capital**, which started trading last month with about $220 million, people familiar with the firm said.

It was seeded by **Blackstone Group**'s Alternative Asset Management unit.

Senrigan, run by Nick Taylor, 41, reunited a group of traders who had left Credit Suisse to join Chicago-based Citadel Investment Group in 2008.

Mr. Taylor left before year-end, as Citadel was cutting investment professionals in Asia and elsewhere who were focused on event-driven strategies.

Such funds wager on companies going through mergers and other corporate changes.

"The capital-raising environment was very bleak in Q1 and Q2, and while the launches are still smaller, they're picking up substantially," said Charlotte Burkeman, UBS AG's global head of capital introduction.

Hedge-fund launches in the pipeline for 2010 include **Voras Capital Management**, set up by the former Morgan Stanley co-President Zoe Cruz. Voras is expected to launch with at least $200 million and plans to invest in a variety of distressed assets, as well as currencies and other securities, people familiar with the matter said.

Australia outlines rules for markets

By Enda Curran

SYDNEY—Australia's government outlined draft laws designed to give its securities regulator the power to oversee trading in financial markets, a move that is part of a wider push to increase supervision after the global financial crisis.

The ruling Labor party wants to allow the Australian Securities and Investments Commission to monitor real-time trading, stripping powers from the main local exchange operator, **ASX** Ltd.

Under the draft legislation, market operators would lose their supervision rights and would instead be held responsible for operations, the enforcement of operating rules and related issues.

The draft rules would also see a new market-integrity rule enforced by ASIC and an infringement-notice regime established. The government would set up a disciplinary panel composed of industry experts.

The government is seeking feedback on how ASIC can cover the cost of supervision. Comments are also being sought on providing wider powers to ASIC to give directions, as well as on arrangements for the transition to the new regime.

Separately, ASIC said it is already "well advanced" in planning for its new role and has established a panel to advise on how to approach its market-supervision responsibilities.

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BofA's hunt for CEO hits new snag: breakup talk

By Dan Fitzpatrick

At least two candidates for the top job at **Bank of America** Corp. told directors that the giant bank should consider breaking itself up, but board members in charge of the CEO search have rejected the idea at least for now, according to people familiar with the situation.

The board's reluctance to make sweeping changes to the Charlotte, N.C., bank's structure is the latest obstacle to emerge in efforts to find a successor to Kenneth D. Lewis, who is retiring as chief executive at year end. Several self-imposed deadlines have come and gone, with directors now working to make a decision as soon as they can, people familiar with the process said.

"We are still considering internal and external candidates and seek to have a decision in the near future," Robert Stickler, a Bank of America spokesman, said Tuesday. Mr. Lewis has suggested he is willing to stay longer if the board needs more time, though a person close to the CEO said he doesn't think that will be necessary.

The CEO candidates who have questioned the size and scope of the financial empire built by Mr. Lewis and his predecessors include Michael O'Neill, a **Citigroup** Inc. director and former chief executive of Bank of Hawaii Corp., according to people familiar with the discussions.

Mr. O'Neill, also a former CEO of Barclays PLC, recently told the Bank of America search committee that the bank's risk-adjusted capital wasn't being used productively. He added that the company should become simpler and less prone to volatility, one person close to Mr. O'Neill said.

Any move to shrink the company would be analyzed thoroughly before proceeding, Mr. O'Neill told directors. Several search-committee members responded that they like the bank's current business model, and it became clear to both sides that Mr. O'Neill wouldn't be a good fit as CEO, this person said.

Another candidate to succeed Mr. Lewis told the board it should look seriously at its business plan, given constraints that include tighter regulatory scrutiny, according to a person familiar with the conversations. Directors should be wrestling with the possibility of shedding certain operations, the CEO candidate said.

Bank of America is the largest U.S. bank by assets and has 6,000 branches, 18,000 automated-teller machines and relationships with 53 million households, or roughly one out of every two households in the U.S. But the company's relentless expansion exposed it to nearly every part of the two-year financial crisis.

While directors could eventually deliberate about the company's long-term direction and be open to questions about strategy, their top priority now is to find a CEO who can take over at year end, said people familiar with the discussions.

"Every conversation I've ever had would indicate they believe the model is the right model," said Mr. Stickler, the Bank of America spokesman. "They are looking for somebody who can execute against the model."

MARKETS

SEC steps up its probes of insider trading

Subjects of focus include Goldman bankers, health-care mergers; agency's push highlights new aggressiveness

By Kara Scannell And Jenny Strasburg

The Securities and Exchange Commission has sent at least three dozen subpoenas to hedge funds and brokerages within the past month in an expanding sweep of potential insider-trading violations, according to people familiar with the matter.

At least some of the inquiries are focused on potential information leaks around health-care mergers of the past three years, these people said. Some retail-industry deals also are a subject of the SEC inquiries, these people said, including **Sears Holdings** Corp.'s aborted pursuit of home-furnishings retailer Restoration Hardware in 2007.

Some of the subpoenas also focus on investment bankers, including the role of **Goldman Sachs Group** Inc. bankers in roughly a dozen health-care deals since 2006, these people said. Investigators also have asked about other advisory firms, said these people, but the firms' names couldn't be learned.

In one of the subpoenas, the SEC asks hedge-fund managers and others about relationships and communications with Goldman bankers who worked on the health-care deals, these people said. It isn't clear whether regulators have contacted Goldman in connection with the recent subpoenas or the nature of any contact.

Associated Press

U.S. Treasury Secretary Tim Geithner, left, with SEC enforcement chief Robert Khuzami, who said the agency is looking at banks' proprietary-trading desks.

It also isn't clear whether the subpoenas are related to the insider-trading case involving New York hedge fund **Galleon Group**, though the subpoenas are broad and the SEC is looking for overlap, these people said.

A spokesman for the SEC declined to comment.

"Goldman Sachs has robust policies and procedures in place to detect suspicious trading activity. If we detect suspicious activity of any kind, as required by law, we report it to the appropriate authorities," a company spokesman said.

Since coming under new leadership this year, the SEC has become more aggressive in enforcement, including insider-trading cases.

The agency has faced criticism after fumbling a probe into Bernard Madoff's multibillion-dollar fraud.

The agency also has fallen under scrutiny in Congress, where two senators have alleged that the SEC was too passive in its look at potential insider trading at hedge fund **Pequot Capital Management**. The SEC has since reopened the investigation and notified the hedge fund and its founder that it would recommend filing civil fraud charges over its alleged use of inside information in 2001 trading of Microsoft shares. Pequot has said its trading was proper at all times.

The SEC says it is trying to better understand the flows of information on Wall Street—where traders, bankers, lawyers and others behind-the-scenes players swap information and favors. The SEC is using computer technology to examine these webs of relationships, especially when individuals or firms surface in multiple surveillance referrals.

"The regulators' ability to connect the dots across multiple deals is greater than we've seen in the past. They're diagramming these cases, looking for relationships, with more-sophisticated surveillance tools and a focus on hedge funds," said Barry Goldsmith, a partner at law firm Gibson, Dunn & Crutcher LLP in Washington D.C. and former chief litigation counsel in the SEC's enforcement division.

In a few instances, the subpoenas include detailed descriptions of how the SEC suspects information was shared between individuals, said people familiar with the inquiries.

Some hedge-fund managers have expressed surprise at the extent of the SEC's recent requests, said lawyers. Some of the subpoenas ask for names of all individuals at a hedge fund with authority over trading decisions, as well as all emails to and from that person over more than two years, regardless of the emails' subject or contents, according to two lawyers familiar with the subpoenas. Another lawyer said the SEC no longer is satisfied with documents and phone records and now seeks to interview hedge-fund employees to satisfy investigators' questions.

Robert Khuzami, the SEC's enforcement chief and a former federal prosecutor, said at a recent seminar that the agency also is looking at how banks' proprietary-trading desks may figure into any illegal use of insider information.

In May, the SEC sued a **Deutsche Bank** AG salesman the agency said illegally tipped off a former portfolio manager at **Millennium Management** on a bond deal. The SEC said the hedge-fund manager bought credit default swaps based on the information, its first insider-trading case involving the derivative instruments. Deutsche Bank declined to comment. Millennium Management said it has a "zero tolerance" policy toward insider trading, that it had suspended the portfolio manager in December 2008, and he has since left the firm.

Yet insider-trading cases are difficult to prove. The SEC and criminal prosecutors must show that the trading was based on market-moving, nonpublic information that the trader knew was obtained in a breach of confidentiality.

Calls and emails to Restoration Hardware weren't returned. A Sears spokesman said the company wasn't aware of any such inquiry. There is no indication the retailers are suspected of wrongdoing.

Dubai World creditors unite to discuss revamp

By Ainsley Thomson

LONDON—**Dubai World**'s creditors began formulating a plan on Wednesday for negotiating a restructuring of the investment conglomerate's debt to lenders and bondholders.

As an early step, financial-services firm **KPMG** is expected to be appointed this week to advise the interests of the lenders, people familiar with the situation said. A steering committee of lenders representing other creditor banks is also expected to be appointed this week, the people said.

Dubai World's more than 80 bank creditors include **Standard Chartered** PLC, **Royal Bank of Scotland Group** PLC, **HSBC Holdings** PLC and **Lloyds Banking Group**, these people said. So far these individual banks have declined to comment.

The creditors' moves to appoint advisers comes after state-owned Dubai World on Tuesday said it was negotiating to restructure $26 billion in debt and will ask creditors for a six-month standstill on debt payments.

International law firm **Ashurst** LLP said it is representing a group of creditors who hold around a quarter of the nominal value of a $3.5 billion *sukuk,* or Islamic bond, which matures on Dec. 14 and was issued by Dubai World's property unit Nakheel. Ashurst declined to comment further.

Restructuring experts from two law firms, who have seen Dubai World's sukuk bond documentation, said Wednesday that all creditors must agree to the standstill in order for it to be valid.

If the standstill isn't agreed upon by Dec. 14, when Nakheel's sukuk is due, Dubai World will technically be in default and bondholders will be able to enforce their security.

If Nakheel defaults it will be the largest-ever sukuk default and the first in the United Arab Emirates. Because there is little precedent, uncertainty surrounds how the situation will unfold, the lawyers said.

"My money would not be on the creditors doing well in this," one of the restructuring lawyers said. "This one will come out the way the borrower wants it to come out."

Neil Cuthbert, Middle East managing partner at law firm **Denton Wilde Sapte** LLP, which is acting for a number of Dubai World's creditors, said the company's loans and sukuks are governed by English law.

This means if Dubai World defaults, creditors are able to obtain a judgment from a U.K. court. They could use that decision to claim the company's assets located outside the U.A.E. and try and enforce their security over assets within that country. However, enforcing securities located in Dubai requires going through U.A.E. courts, Mr. Cuthbert said. "The prospect of litigation against quasi-government companies in this part of the world is difficult," he said.

"Ultimately, the creditors want to get their money back and if they can agree standstill with a longer-term restructuring and perhaps security over some assets, it would be in their interests. A fire sale of assets now would see them realize a third of what they paid for them."

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Bendigo's bond shows more demand for RMBS

By Enda Curran

SYDNEY—Australian regional lender **Bendigo & Adelaide Bank** Ltd. priced one billion Australian dollars (US$924.9 million) of residential mortgage-backed securities, in a rare offer that illustrates improving investor demand for securitized assets.

BOND MARKETS

The large issue is only one of a handful of mortgage-backed offers that have been priced in the domestic market without government assistance since the credit crunch hit home in 2007.

Bendigo & Adelaide offered investors a yield premium that was lower than in a similar deal from **Members Equity Bank** Pty. Ltd. last month, and the bank said the securitization market has improved to a point where it is a viable option for mortgage lenders.

That is important to those that compete with Australia's big four banks for mortgage business and on securitization to raise funds.

The most highly rated tranche of Bendigo's securities was priced at 1.35 percentage point over the bank-bill swap rate, which was 0.05 percentage point tighter than the risk premium paid by Members Equity Bank in its offer last month.

"It looks like we're getting to [premiums] which are sustainable for the whole industry," said Will Rayner, head of investor relations and corporate affairs at Bendigo.

Although mortgage bonds were at the core of the problem that crippled the U.S. economy, Australian policy makers have been at pains to stress the high quality of assets here given the country's tight mortgage-lending standards.

The Adelaide-based bank increased the deal from the A$500 million initially planned. The A$915 million of Class A notes were expected to be rated triple-A.

Deutsche Bank and Westpac Bank were in charge of the deal.

Japanese bonds

Japanese government-bond yields edged higher Wednesday amid gains in regional equities, a weaker yen and concerns over an expanding Japanese budget.

The benchmark 10-year yield firmed 0.015 percentage point to 1.24%.

One factor likely to weigh on bonds, and push yields higher, is continued selling by those who had bet that the Bank of Japan's unscheduled monetary policy meeting Tuesday would result in more bond purchases. Instead, the central bank opted for a funding facility that closely resembled a previous operation.

"During [Tuesday's] market turbulence, a lot of players entered long positions that are now under water," said Naomi Hasegawa, senior fixed-income strategist at Mitsubishi UFJ Securities. She predicted the 10-year yield could rise to 1.3% later in the week as a result.

——Andrew Monahan

Treasurys slip despite a rise in job losses

By Emily Barrett

NEW YORK—Treasury prices crept lower on Wednesday, despite a higher-than-expected tally of private-sector job losses in November that helped restore flagging demand. Investors' distaste for yields at multimonth lows and coming government-debt sales that will add to supplies weighed on the market.

U.S. CREDIT MARKETS

"The Treasury market still has a long way to go to relieve the overbought condition that developed into the month-end extension and after the Dubai news hit the tapes," strategists at RBS Securities wrote in a note.

The national employment report from payroll company Automatic Data Processing Inc. showed the pace of layoffs eased in November. But the 169,000 private-sector job losses was steeper than expected by most economists. The report showed businesses with 500 employees or more shed 44,000 jobs and medium-size businesses lost 57,000 workers in November. Businesses that employ fewer than 50 workers cut 68,000 jobs.

By late morning, two-year Treasury debt was down 1/32 at 100 4/32, yielding 0.6867%, and 10-year securities were down 7/32 to 100 20/32, for a yield of 3.3007%.

The ADP data are little more than a prelude to the main event this week: the November nonfarm payrolls release, to be released on Friday. Any substantial signs of improvement would obviously be a considerable boost for market sentiment, and that could mean less traffic in the haven of government bonds, and more venturers into the riskier territory of corporate bonds and equities.

This isn't the scenario economists envisaged for November. Those surveyed by Dow Jones expect the Bureau of Labor Statistics will report another 125,000 decline in payrolls, extending October's 190,000 fall. That loss would be the lowest layoff number since July 2008, and it would leave the unemployment rate at 10.2%.

—Deborah Levine contributed to this article.

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Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
2	**Yelsen EEUU Valor FI**	Renta 4 Gestora	EUR	Spain	**53.48**	92.87	-8.89	-0.27
1	**Hotchkis Wiley US Value Universal A**	Universal-Investment GmbH	EUR	Germany	**49.83**	84.26	-19.85	-5.53
4	**CS EF (Lux) USA Value B**	Credit Suisse Eq Fd Management Company	USD	Luxembrg	**47.41**	74.27	-9.12	1.15
2	**Saint-Honoré US Value Yield Couvert**	Edmond de Rothschild Asset Management	EUR	France	**40.09**	60.18	-11.20	0.26
4	**Saint-Honoré US Value Yield C**	Edmond de Rothschild Asset Management	EUR	France	**36.22**	58.68	-8.56	1.11
1	**New Star Glbl N America**	New Star Asset Management Limited	USD	Luxembrg	**31.33**	57.01	-17.37	-6.67
3	**BIM Azionario USA**	Symphonia SGR S.p.A.	EUR	Italy	**38.62**	53.62	-11.38	-1.39
1	**Brandes US Equities A €**	Brandes Investment Funds P.L.C.	EUR	Ireland	**33.74**	53.05	-25.66	-9.66
NS	**Nuveen NWQ Large Cap Value I**	Nuveen Asset Management Inc.	USD	Ireland	**28.92**	51.98	-12.14	NS
2	**M&G North American Value A Acc**	M&G Group	GBP	United Kingdom	**42.15**	51.78	-15.46	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	12/01	EUR	52.68	16.9	11.3	-29.9
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	12/01	USD	10.28	25.2	38.9	-16.0
Am Eq Blend B	US	EQ	LUX	12/01	USD	9.67	24.1	37.7	-16.8
Am Growth A	US	EQ	LUX	12/01	USD	30.41	32.8	57.0	-7.6
Am Growth AX	US	EQ	LUX	12/01	USD	32.81	33.5	57.9	-7.1
Am Growth B	US	EQ	LUX	12/01	USD	25.59	31.6	55.5	-8.5
Am Growth C	US	EQ	LUX	12/01	USD	27.53	32.3	56.3	-8.0
Am Growth I	US	EQ	LUX	12/01	USD	33.68	33.8	58.3	-6.9
Am Income A	US	BD	LUX	12/01	USD	8.43	24.4	32.5	5.2
Am Income A2	US	BD	LUX	12/01	USD	18.95	24.5	32.5	5.2
Am Income A2	OT	OT	NA	12/01	HKD	146.86	NS	NS	NS
Am Income AT	OT	OT	NA	12/01	HKD	65.18	NS	NS	NS
Am Income AT	US	BD	LUX	12/01	USD	8.41	24.5	32.6	5.2
Am Income B	US	BD	LUX	12/01	USD	8.43	23.5	31.4	4.4
Am Income B2	US	BD	LUX	12/01	USD	16.34	23.7	31.6	4.4
Am Income B2	OT	OT	NA	12/01	HKD	126.63	NS	NS	NS
Am Income BT	OT	OT	NA	12/01	HKD	65.56	NS	NS	NS
Am Income BT	US	BD	LUX	12/01	USD	8.46	23.8	31.7	4.4
Am Income C	US	BD	LUX	12/01	USD	8.43	23.8	31.8	4.7
Am Income C2	US	BD	LUX	12/01	USD	24.30	24.0	32.0	4.7
Am Income I	US	BD	LUX	12/01	USD	8.43	25.1	33.3	5.8
Am Value A	US	EQ	LUX	12/01	USD	8.47	17.5	38.6	-15.0
Am Value B	US	EQ	LUX	12/01	USD	7.80	16.2	37.1	-15.9
Am Value C	US	EQ	LUX	12/01	USD	8.47	16.8	37.9	-15.4
Am Value I	US	EQ	LUX	12/01	USD	9.11	18.3	39.7	-14.3
Emg Mkts Debt A	GL	BD	LUX	12/01	USD	15.59	43.8	56.2	7.9
Emg Mkts Debt A2	GL	BD	LUX	12/01	USD	20.04	44.0	56.4	7.9
Emg Mkts Debt AT	GL	BD	LUX	12/01	USD	15.62	43.9	56.3	7.9
Emg Mkts Debt B	GL	BD	LUX	12/01	USD	15.59	42.5	54.7	6.8
Emg Mkts Debt B2	GL	BD	LUX	12/01	USD	19.31	42.6	54.9	6.8
Emg Mkts Debt BT	GL	BD	LUX	12/01	USD	15.61	42.6	54.8	6.8
Emg Mkts Debt C	GL	BD	LUX	12/01	USD	15.59	43.2	55.5	7.4
Emg Mkts Debt C2	GL	BD	LUX	12/01	USD	19.69	43.3	55.7	7.4
Emg Mkts Debt I	GL	BD	LUX	12/01	USD	15.59	44.4	57.0	8.4
Emg Mkts Growth A	GL	EQ	LUX	12/01	USD	34.09	70.1	92.1	-14.5
Emg Mkts Growth B	GL	EQ	LUX	12/01	USD	28.92	68.6	90.1	-15.3
Emg Mkts Growth C	GL	EQ	LUX	12/01	USD	29.56	69.4	91.2	-14.9
Emg Mkts Growth I	GL	EQ	LUX	12/01	USD	37.76	71.3	93.5	-13.8
Eur Growth A	OT	OT	LUX	12/01	EUR	10.22	21.7	27.2	-19.9
Eur Growth A	OT	OT	LUX	12/01	EUR	6.78	21.7	27.2	-19.9
Eur Growth B	OT	OT	LUX	12/01	EUR	6.10	20.6	25.8	-20.7
Eur Growth B	OT	OT	LUX	12/01	USD	9.20	20.6	25.8	-20.7
Eur Growth C	EU	EQ	LUX	12/01	EUR	5.14	21.2	26.6	-20.2
Eur Growth I	OT	OT	LUX	12/01	USD	11.14	22.6	28.3	-19.3
Eur Growth I	OT	OT	LUX	12/01	EUR	7.39	22.6	28.3	-19.3
Eur Income A	OT	OT	LUX	12/01	EUR	6.61	39.1	34.9	3.6
Eur Income A	OT	OT	LUX	12/01	USD	9.97	39.1	34.9	3.6
Eur Income A2	OT	OT	LUX	12/01	EUR	12.81	39.1	34.7	3.5
Eur Income A2	OT	OT	LUX	12/01	USD	19.32	39.1	34.7	3.5
Eur Income AT	EU	BD	LUX	12/01	EUR	6.59	39.0	34.8	3.5
Eur Income B	OT	OT	LUX	12/01	EUR	6.61	38.3	34.1	2.9
Eur Income B	OT	OT	LUX	12/01	USD	9.97	38.3	34.1	2.9
Eur Income B2	OT	OT	LUX	12/01	EUR	11.92	38.1	33.8	2.8
Eur Income B2	OT	OT	LUX	12/01	USD	17.98	38.1	33.8	2.8
Eur Income BT	EU	BD	LUX	12/01	EUR	6.60	38.4	33.9	2.8
Eur Income C	OT	OT	LUX	12/01	EUR	6.61	38.6	34.4	3.1
Eur Income C	OT	OT	LUX	12/01	USD	9.97	38.6	34.4	3.1
Eur Income C2	OT	OT	LUX	12/01	EUR	12.78	38.6	34.2	3.1
Eur Income C2	OT	OT	LUX	12/01	USD	19.27	38.6	34.2	3.1
Eur Income I	OT	OT	LUX	12/01	EUR	6.61	39.7	35.6	4.2
Eur Income I	OT	OT	LUX	12/01	USD	9.97	39.7	35.6	4.2
Eur Strat Value A	OT	OT	LUX	12/01	EUR	8.27	18.8	26.1	-23.7
Eur Strat Value A	OT	OT	LUX	12/01	USD	12.47	18.8	26.1	-23.7
Eur Strat Value I	OT	OT	LUX	12/01	EUR	8.46	19.7	27.2	-23.0
Eur Strat Value I	OT	OT	LUX	12/01	USD	12.76	19.7	27.2	-23.0
Eur Value A	OT	OT	LUX	12/01	USD	13.44	22.4	30.5	-20.7
Eur Value A	OT	OT	LUX	12/01	EUR	8.91	22.4	30.5	-20.7
Eur Value B	OT	OT	LUX	12/01	EUR	8.21	21.3	29.3	-21.4
Eur Value B	OT	OT	LUX	12/01	USD	12.38	21.3	29.3	-21.4
Eur Value C	OT	OT	LUX	12/01	USD	13.00	21.8	29.8	-21.0
Eur Value C	OT	OT	LUX	12/01	EUR	8.62	21.8	29.8	-21.0
Eur Value I	OT	OT	LUX	12/01	USD	15.52	23.2	31.6	-20.0
Eur Value I	OT	OT	LUX	12/01	EUR	10.29	23.2	31.6	-20.0
Gl Balanced (Euro) A	OT	OT	LUX	12/01	USD	17.04	19.2	26.1	-12.4
Gl Balanced (Euro) B	OT	OT	LUX	12/01	USD	16.62	18.1	24.9	-13.2
Gl Balanced (Euro) C	OT	OT	LUX	12/01	USD	16.92	19.0	25.8	-12.6
Gl Balanced (Euro) I	OT	OT	LUX	12/01	USD	17.34	NS	NS	NS
Gl Balanced A	US	BA	LUX	12/01	USD	16.56	24.6	35.7	-11.0
Gl Balanced B	US	BA	LUX	12/01	USD	15.76	23.5	34.4	-11.9
Gl Balanced C	OT	OT	LUX	12/01	USD	16.32	24.3	35.3	-11.3
Gl Balanced C	OT	OT	LUX	12/01	EUR	10.82	24.3	35.3	-11.3
Gl Balanced I	US	BA	LUX	12/01	USD	17.16	25.3	36.6	-10.4
Gl Bond A	US	BD	LUX	12/01	USD	9.35	13.6	17.6	4.9
Gl Bond A2	US	BD	LUX	12/01	USD	16.15	13.7	17.6	4.9
Gl Bond A2	OT	OT	NA	12/01	HKD	125.16	13.7	17.6	4.9
Gl Bond AT	OT	OT	LUX	12/01	HKD	72.38	13.7	17.6	4.9
Gl Bond AT	US	BD	LUX	12/01	USD	9.34	13.7	17.6	4.9
Gl Bond B	US	BD	LUX	12/01	USD	9.35	12.6	16.5	3.8
Gl Bond B2	US	BD	LUX	12/01	USD	14.16	12.6	16.4	3.8
Gl Bond B2	OT	OT	NA	12/01	HKD	109.74	12.6	16.4	3.8
Gl Bond BT	OT	OT	LUX	12/01	HKD	72.69	12.7	16.6	3.9
Gl Bond BT	US	BD	LUX	12/01	USD	9.38	12.7	16.6	3.9
Gl Bond C	US	BD	LUX	12/01	USD	9.35	13.1	17.1	4.4
Gl Bond C2	US	BD	LUX	12/01	USD	14.02	13.2	17.1	4.4
Gl Bond I	US	BD	LUX	12/01	USD	9.35	14.2	18.3	5.5
Gl Conservative A	US	BA	LUX	12/01	USD	14.94	15.9	22.2	-4.4
Gl Conservative A2	US	BA	LUX	12/01	USD	17.01	16.7	22.9	-4.1
Gl Conservative B	US	BA	LUX	12/01	USD	14.95	15.2	21.3	-5.2
Gl Conservative B2	US	BA	LUX	12/01	USD	16.17	15.6	21.7	-5.1
Gl Conservative C	US	BA	LUX	12/01	USD	14.94	15.6	21.7	-4.8
Gl Conservative C2	US	BA	LUX	12/01	USD	16.64	16.2	22.4	-4.6
Gl Conservative I	US	BA	LUX	12/01	USD	15.00	16.7	23.1	-3.7
Gl Eq Blend A	GL	EQ	LUX	12/01	USD	11.69	30.8	48.0	-21.7
Gl Eq Blend B	GL	EQ	LUX	12/01	USD	10.98	29.6	46.4	-22.5
Gl Eq Blend C	GL	EQ	LUX	12/01	USD	11.48	30.2	47.2	-22.1
Gl Eq Blend I	GL	EQ	LUX	12/01	USD	12.32	31.8	49.2	-21.1
Gl Growth A	GL	EQ	LUX	12/01	USD	41.87	29.8	45.0	-22.4
Gl Growth B	GL	EQ	LUX	12/01	USD	34.98	28.7	43.6	-23.2
Gl Growth C	GL	EQ	LUX	12/01	USD	40.19	29.3	44.4	-22.8
Gl Growth I	GL	EQ	LUX	12/01	USD	46.46	30.8	46.2	-21.8
Gl High Yield A	US	BD	LUX	12/01	USD	4.25	56.6	64.2	3.2
Gl High Yield A2	US	BD	LUX	12/01	USD	9.03	56.8	64.5	3.1
Gl High Yield A2	OT	OT	NA	12/01	HKD	69.98	56.8	64.5	3.1
Gl High Yield AT	OT	OT	NA	12/01	HKD	32.55	56.8	64.0	3.1
Gl High Yield AT	US	BD	LUX	12/01	USD	4.20	56.8	64.0	3.1
Gl High Yield B	US	BD	LUX	12/01	USD	4.25	54.7	62.1	1.9
Gl High Yield B2	US	BD	LUX	12/01	USD	14.52	55.3	62.8	2.1
Gl High Yield B2	OT	OT	NA	12/01	HKD	112.53	55.3	62.8	2.1
Gl High Yield BT	OT	OT	NA	12/01	HKD	33.17	55.2	63.1	2.2
Gl High Yield BT	US	BD	LUX	12/01	USD	4.28	55.2	63.1	2.2
Gl High Yield C	US	BD	LUX	12/01	USD	4.25	55.8	63.3	2.6
Gl High Yield C2	US	BD	LUX	12/01	USD	13.38	56.1	63.6	2.6
Gl High Yield I	US	BD	LUX	12/01	USD	4.25	57.6	65.4	3.9
Gl Value A	GL	EQ	LUX	12/01	USD	11.19	31.8	50.8	-21.1
Gl Value B	GL	EQ	LUX	12/01	USD	10.29	30.6	49.3	-21.9
Gl Value C	GL	EQ	LUX	12/01	USD	10.88	31.2	50.3	-21.5
Gl Value I	GL	EQ	LUX	12/01	USD	11.89	32.7	52.0	-20.5
Gl. Thematic Res. A	OT	OT	LUX	12/01	USD	14.84	69.6	92.2	-5.6
Gl. Thematic Res. B	OT	OT	LUX	12/01	USD	12.99	68.0	90.2	-6.5
Gl. Thematic Res. I	OT	OT	LUX	12/01	USD	16.53	70.8	93.6	-4.9
Greater China A	AS	EQ	LUX	12/01	USD	40.10	56.3	76.9	-18.7
Greater China B	AS	EQ	LUX	12/01	USD	35.52	54.9	75.1	-19.5
Greater China C	AS	EQ	LUX	12/01	USD	39.61	55.7	76.0	-19.0
India Growth A	OT	OT	LUX	12/01	USD	125.24	NS	NS	NS
India Growth AX	OT	OT	LUX	12/01	USD	109.45	89.5	104.0	-8.7
India Growth B	OT	OT	LUX	12/01	USD	131.30	NS	NS	NS
India Growth BX	OT	OT	LUX	12/01	USD	93.63	87.7	102.0	-9.6
India Growth I	EA	EQ	LUX	12/01	USD	113.37	90.2	104.8	-8.4
Int'l Health Care A	OT	EQ	LUX	12/01	USD	135.05	15.0	28.0	-10.3
Int'l Health Care B	OT	EQ	LUX	12/01	USD	114.01	14.0	26.7	-11.2
Int'l Health Care C	OT	EQ	LUX	12/01	USD	129.48	14.5	27.4	-10.7
Int'l Health Care I	OT	EQ	LUX	12/01	USD	147.45	15.9	29.0	-9.6
Int'l Technology A	OT	EQ	LUX	12/01	USD	105.54	44.3	60.8	-13.4
Int'l Technology B	OT	EQ	LUX	12/01	USD	91.53	43.0	59.2	-14.2
Int'l Technology C	OT	EQ	LUX	12/01	USD	102.03	43.7	60.0	-13.7
Int'l Technology I	OT	EQ	LUX	12/01	USD	118.26	45.3	62.0	-12.7
Japan Eq Blend A	JP	EQ	LUX	12/01	JPY	5597.00	4.3	18.4	-27.4
Japan Eq Blend B	JP	EQ	LUX	12/01	JPY	5405.00	3.3	17.2	-28.1
Japan Eq Blend C	JP	EQ	LUX	12/01	JPY	5509.00	3.9	17.9	-27.7
Japan Growth A	JP	EQ	LUX	12/01	JPY	5522.00	-0.7	10.6	-27.5
Japan Growth B	JP	EQ	LUX	12/01	JPY	5333.00	-1.6	9.5	-28.2
Japan Growth C	JP	EQ	LUX	12/01	JPY	5436.00	-1.1	10.1	-27.8
Japan Strat Value A	JP	EQ	LUX	12/01	JPY	5646.00	9.5	26.2	-27.6
Japan Strat Value B	JP	EQ	LUX	12/01	JPY	5458.00	8.5	25.0	-28.3
Japan Strat Value C	JP	EQ	LUX	12/01	JPY	5554.00	9.0	25.6	-27.9
Real Estate Sec. A	OT	EQ	LUX	12/01	USD	14.18	32.9	66.4	-18.1
Real Estate Sec. B	OT	EQ	LUX	12/01	USD	12.97	31.7	64.6	-19.0
Real Estate Sec. I	OT	EQ	LUX	12/01	USD	15.22	33.7	67.6	-17.5
Short Mat Dollar A	US	BD	LUX	12/01	USD	7.20	10.3	11.6	-6.6
Short Mat Dollar A2	US	BD	LUX	12/01	USD	9.67	10.4	11.5	-6.7
Short Mat Dollar AT	US	BD	LUX	12/01	USD	7.19	10.5	11.8	-6.6
Short Mat Dollar B	US	BD	LUX	12/01	USD	7.20	9.9	11.1	-7.0
Short Mat Dollar B2	US	BD	LUX	12/01	USD	9.63	9.9	11.2	-7.0
Short Mat Dollar BT	OT	OT	LUX	12/01	USD	7.20	9.2	10.6	-7.3
Short Mat Dollar C	US	BD	LUX	12/01	USD	7.20	9.9	11.1	-7.0
Short Mat Dollar C2	US	BD	LUX	12/01	USD	13.62	10.0	11.2	-7.0
Short Mat Dollar I	US	BD	LUX	12/01	USD	7.20	10.9	12.2	-6.0

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	10/30	USD	1642.69	69.6	71.6	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	12/01	USD	120.50	20.5	20.3	10.1
PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	09/30	USD	94.24	12.2	-6.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	09/30	USD	108.96	6.0	3.6	-31.0
Platinm-Emancipation	OT	OT	USA	09/30	USD	96.83	29.4	0.4	-7.7
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	09/30	USD	59.71	27.4	-18.1	-32.3
Platinm-Nordic	OT	OT	CYM	09/30	SEK	591.49	8.4	-6.2	-19.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	09/30	USD	55.93	NS	8.3	-39.0
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	11/30	USD	49.61	-40.4	-37.4	4.8
Superfund GCT USD*	GL	EQ	LUX	11/30	USD	2548.32	-30.2	-28.9	5.2
Superfund Green Gold A (SPC)	OT	OT	CYM	11/24	USD	1139.48	-2.0	18.2	17.9
Superfund Green Gold B (SPC)	OT	OT	CYM	11/24	USD	1157.81	-14.1	4.2	15.3
Superfund Q-AG*	OT	OT	AUT	11/30	EUR	7197.72	-17.9	-16.4	7.3
WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9
ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	12/01	EUR	50.11	28.9	39.2	-13.0
Industria AE	EU	EQ	DEU	12/01	EUR	68.91	31.7	29.9	-18.6
InternRent AE	EU	BD	DEU	12/01	EUR	35.33	4.0	-0.3	9.6

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MARKETS

Stocks in narrow range, with banks taking a hit

By Geoffrey Rogow

Stocks drifted between slight gains and losses as a rally for basic-materials companies was offset by declines in the financial and energy sectors.

After trading higher for part of the morning, by noon, the Dow Jones Industrial Average was down nearly 22 points, or 0.2%, at 10449.81. Financials were the Dow's weakest components with **American Express**, **J.P. Morgan Chase** and **Bank of America** all down more than 1%. The Wall Street Journal reported that two chief executive candidates said Bank of America should consider breaking itself up, though the board has rejected that idea.

ABREAST OF THE MARKET

Also weighing on banks, UBS analysts predicted that the typical capital markets' seasonal slowing could come earlier this year. The analysts also cut their fourth-quarter earnings target for **Morgan Stanley**, J.P. Morgan Chase, **Bank of New York Mellon** and others. In addition, Sanford C. Bernstein said J.P. Morgan could face a revenue decline of as much as $3 billion under a "worst case" scenario for derivatives legislation.

Other major indexes were mixed, with the Standard & Poor's 500-stock index down nearly 0.2% to 1106.83 and the Nasdaq Composite Index up 0.3% at 2183.16.

Leading the S&P 500's gainers was the 1.1% advance by materials stocks, including **Century Aluminum** and **RTI International Metals**. The financial sector was off 0.2% and energy slid 0.7% on a decline in oil prices.

The Dow reached a new 2009 closing high on Tuesday as fears over a default on billions of dollars in debt in Dubai subsided and investors moved back toward riskier investments. Some of that movement reversed Wednesday, with the dollar stronger against the euro and the yen. Gold and other metals prices continued to gain, helping materials stocks push higher.

European markets

Shares edged higher to extend Tuesday's sharp gains, with sector rotation in focus as the end of the year nears.

The pan-European Dow Jones Stoxx 600 index rose 0.4% to 246.52. Tuesday's 2.7% increase was the best one-day percentage rise since July 15. The index is up 24% for the year and can continue to advance, according to strategists at ING who raised their 2010 target to 310.

Still, they do expect a change in sector performance, with defensive sectors such as food and beverages, health care, telecommunications and personal and household goods taking the lead.

On a regional level, the U.K.'s FTSE 100 index rose 0.3% to 5327.39, Germany's DAX index inched up 0.1% to 5781.68, while France's CAC-40 index rose 0.5% to 3,795.92.

Yen weakens after comment by Hatoyama

By Deborah Levine

The U.S. dollar posted tiny gains versus major currencies on Wednesday, making one of its strongest moves against the yen after comments from Japanese officials suggested policy makers could move to limit the yen's rise.

CURRENCY MARKETS

The dollar was steady versus the euro as investors looked to stock markets for hints of whether investors may be willing to keep buying higher-yielding currencies than the greenback amid fading worries over last week's debt debacle in Dubai. U.S. indexes were mixed at midday.

Late morning in New York, the dollar was at 87.22 yen, compared with 86.68 yen late on Tuesday. The euro was at $1.5056, compared with $1.5085, while the British pound was at $1.6650, from $1.6619. The Swiss franc was at $1.0011, compared with $1.0006

Japanese Prime Minister Yukio Hatoyama said the yen's rise can't be left "as is," according to comments published in the Nikkei newspaper. Later, a Cabinet spokesman said Mr. Hatoyama wasn't signaling that the government was set to intervene, news reports said.

"It is important to recognize that the sell-off in the U.S. dollar is beginning to find some near-term support," said Kathy Lien, director of currency research at Global Forex Trading.

Gold's rise, Dubai's fade give Asian stocks a lift

A Wall Street Journal Roundup

Financial and resource stocks led modest gains in Asia Wednesday as concerns over Dubai's debt problems receded and the price of gold pushed still higher.

A 2009 high for the Dow Jones Industrial Average on Tuesday also encouraged buyers.

"Asia is benefiting...from an ease in Dubai worries," said Brett McGonegal, managing director at Cantor Fitzgerald. "There is a lot of money chasing the move higher, which suggests people are underweight and need to get involved."

ASIAN-PACIFIC STOCKS

Chinese stocks led the gains as the Shanghai Composite index rose 1.1% to 3269.75. Banks and real estate developers were the sparks.

Industrial & Commercial Bank of China rose 1.3%, while **China Construction Bank** gained 0.8% in Shanghai and 1.4% in Hong Kong.

"There's talk that banks will likely use retained profits to supplement capital, which also eased investors' concerns over new-share offerings in the secondary market," said Guosen Securities analyst Wang Junqing, referring to the recent request by the Chinese government for banks to meet capital requirements soon.

Bargain hunting helped **China Vanke** to a 2.2% gain and **Poly Real Estate Group** to a 2.8% advance.

"Upside in the sector is very likely limited due to growing expectations the government will take measures over surging house prices," said Zhou Lin, an analyst at Huatai Securities.

Nonferrous metals companies were also among the big gainers, due to higher commodity price rises on the London Metal Exchange overnight. **Zhongjin Gold** surged by the 10% upside limit and **Yunnan Copper** rose 4%.

In Tokyo, stocks were volatile, though benchmarks ended higher. The Nikkei Stock Average of 225 companies rose 0.4% to 9608.94, with steel and auto stocks leading the market.

"Even though the [easing] measures the Bank of Japan announced [Tuesday] are mildly disappointing, their action at least shows that the government is more aware of the problems and is willing to take action," said Mizuho Securities market analyst Yukio Takahashi.

Nippon Steel rose 2.7% and **JFE Holdings** added 2.4%. The sector got a lift from a report that JFE will terminate extra off days at the bulk of its operations starting in January in response to recovering demand.

Auto makers also gained after relatively solid U.S. auto-sales data and a surge in domestic auto sales, according to a Japanese brokerage analyst. **Nissan Motor** rose 2.5% and **Honda Motor** added 2.1%.

Resource stocks were strong around the region. In Sydney, **BHP Billiton** rose 1.4%, **Rio Tinto** rose by 3%, .

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	11/20	USD	1247.48	23.1	5.6	-8.9
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	11/30	JPY	14828.64	58.2	71.2	-1.9
GAM Asia Equity Hedge US	OT	OT	VGB	11/30	USD	279.62	60.2	74.2	0.2
GAM Asia Equity USD	OT	OT	VGB	12/01	USD	639.52	59.3	76.2	-15.1
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/01	USD	1244.79	15.9	29.6	-17.2
GAM Com Glb Bal EUR Op	US	BA	VGB	11/23	EUR	92.43	15.1	18.7	-9.0
GAM Com Glb Bal USD Op	US	BA	VGB	11/23	USD	127.74	15.1	18.7	-9.0
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	11/23	EUR	93.65	21.3	28.4	-16.1
GAM Comp Glb Eq USD Op	GL	EQ	VGB	11/23	USD	126.68	21.3	28.4	-16.1
GAM Comp Glb Gr EUR Op	US	BA	VGB	11/23	EUR	82.80	15.2	20.6	-13.3
GAM Comp Glb Gr USD Op	US	BA	VGB	11/23	USD	126.58	15.2	20.6	-13.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	11/30	USD	238.76	31.1	37.3	-14.1
GAM Cross Trading Inc	OT	OT	VGB	11/23	USD	467.75	6.9	7.2	NS
GAM Diversity CHF Op	OT	OT	VGB	11/23	CHF	94.42	4.4	2.5	-7.0
GAM Diversity EUR Op	OT	OT	VGB	11/23	EUR	649.12	5.2	3.6	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	10/30	USD	76.73	6.4	-4.0	-22.6
GAM Diversity USD Op	OT	OT	VGB	11/23	USD	681.66	5.2	4.2	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	11/23	CHF	99.73	4.2	2.8	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	11/23	EUR	139.02	4.8	2.9	-5.5
GAM Dvrsty II USD Op	OT	OT	VGB	11/23	USD	210.63	4.8	3.6	-5.7
GAM DvrstyIII EUR Op	OT	OT	VGB	10/30	EUR	114.70	3.8	-0.4	-6.5
GAM DvrstyIII USD Op	OT	OT	VGB	10/30	USD	121.09	3.8	-0.1	-6.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	11/30	EUR	212.21	7.6	8.3	-6.3
GAM Euro Eq Hdg USD Op	OT	OT	VGB	11/30	USD	197.46	8.4	9.6	-4.1
GAM European Equity USD	OT	OT	VGB	11/30	USD	294.23	25.1	32.8	-15.2
GAM GAMCO	OT	EQ	VGB	11/24	USD	800.55	38.0	56.9	-11.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	10/30	EUR	97.64	13.2	12.7	-17.5
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	11/30	USD	103.26	14.1	14.1	-15.2
GAM Gbl Divers USD Inc.	GL	EQ	VGB	11/30	USD	246.58	20.8	30.8	-9.1
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	11/23	USD	278.90	95.3	117.5	17.5
GAM Intrst Trend II	GL	BD	VGB	11/23	USD	95.94	45.2	40.8	-10.1
GAM Intrst Trend Inc	OT	OT	VGB	11/23	USD	254.05	59.5	53.3	-4.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	11/30	EUR	108.76	1.8	4.1	-11.7
GAM Japan Eq Hdg USD Op	OT	OT	VGB	11/30	USD	112.96	0.4	6.5	-23.1
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	10/30	JPY	8507.22	10.3	23.5	-21.8
GAM Japan USD	JP	EQ	VGB	12/01	USD	1054.49	1.9	11.2	-19.6
GAM Japan YEN	JP	EQ	VGB	12/01	JPY	8182.46	2.1	8.8	-26.9
GAM Money Mkt EuroOp	EU	MM	VGB	11/30	EUR	51.19	0.1	0.2	1.8
GAM Money Mkt USD	US	MM	VGB	11/27	USD	100.02	0.0	0.0	1.0
GAM Multi-Arb EUR Op	OT	OT	VGB	11/23	EUR	113.51	1.3	-1.9	-8.7
GAM Multi-Arb USD Op	OT	OT	VGB	10/30	USD	118.02	1.1	-5.6	-9.4
GAM Multi-China EUR Op	OT	OT	VGB	10/30	EUR	159.17	7.2	7.9	-15.9
GAM Multi-China USD Op	OT	OT	VGB	10/30	USD	167.40	7.8	8.4	4.1
GAM Multi-Emer Mkts GBP	OT	OT	VGB	10/30	GBP	127.90	22.3	20.4	-4.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	11/23	USD	644.45	24.4	22.9	-2.9
GAM Multi-Eur EUR Op	OT	OT	VGB	10/30	EUR	265.40	5.7	5.1	-12.5
GAM Multi-Eur II EUR Op	OT	OT	VGB	11/23	EUR	137.78	6.6	6.0	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	11/23	USD	112.70	6.3	5.6	-11.2
GAM Multi-Eur USD Op	OT	OT	VGB	10/30	USD	462.12	5.5	4.6	-13.5
GAM Multi-Nth Am EUR Special	OT	OT	VGB	11/23	EUR	132.52	11.2	11.0	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	11/23	USD	215.93	11.6	14.3	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	10/30	EUR	140.15	2.8	2.4	-6.4
GAM Multi-Pac USD Op	OT	OT	VGB	11/23	USD	163.35	3.9	3.3	-5.4
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	11/27	USD	2529.35	62.5	73.0	9.5
GAM Sing/Malaysia	AS	EQ	VGB	12/01	USD	2497.08	50.3	56.7	-11.4
GAM Sterling Spe Bd Inc	OT	OT	VGB	11/23	GBP	240.92	39.5	35.5	2.4
GAM Trading EUR Inc	OT	OT	VGB	11/23	EUR	326.42	6.8	6.6	7.5
GAM Trading USD Inc	OT	OT	VGB	11/23	USD	976.92	7.0	6.7	6.9
GAM Trdg II IncEUR Op	OT	OT	VGB	11/23	EUR	139.65	6.7	6.5	7.4
GAM Trdg II IncUSD Op	OT	OT	VGB	11/23	USD	317.20	7.0	6.8	7.0
GAM Trdg IV IncEUR Op	OT	OT	VGB	11/23	EUR	147.36	6.5	6.2	7.0
GAM Trdg IV IncUSD Op	OT	OT	VGB	11/23	USD	155.13	6.7	6.5	6.8
GAM Trdg V IncEUR Op	OT	OT	VGB	10/30	EUR	124.10	5.8	6.6	7.1
GAM Trdg V IncUSD Op	OT	OT	VGB	10/30	USD	129.23	5.9	7.1	6.8
GAM TrdgIII IncEUR Op	OT	OT	VGB	11/23	EUR	157.56	6.5	6.1	7.1
GAM TrdgIII IncUSD Op	OT	OT	VGB	11/23	USD	163.16	6.7	6.5	6.9
GAM USDSpecBondInc	US	BD	VGB	11/23	USD	521.35	71.5	67.7	7.4
GAM Worldwide	GL	EQ	VGB	11/30	USD	2205.12	23.1	28.9	-11.7
GAMut Investments	OT	OT	VGB	11/25	USD	7727.15	6.4	8.3	8.9

GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	11/30	CHF	10.29	45.3	39.3	-20.6
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	11/30	EUR	10.92	46.0	44.8	-16.0
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	11/30	GBP	1.48	39.7	60.2	-4.8
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	11/30	USD	12.88	57.1	71.7	-14.7
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/01	EUR	94.81	12.2	10.8	-18.2
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/01	EUR	91.76	12.2	10.9	-18.2
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	11/30	EUR	10.33	17.4	16.1	-14.5
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	11/30	EUR	172.61	17.9	13.6	-16.8
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	11/30	EUR	157.72	17.8	13.6	-16.8
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	11/30	USD	15.80	26.6	34.4	-15.4
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	11/30	USD	14.32	26.5	34.4	-15.4
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	11/30	USD	5.68	20.8	19.1	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/01	EUR	82.25	1.1	0.5	-17.7
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/01	EUR	82.25	1.1	0.5	-17.7
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/01	JPY	854.87	2.0	8.5	-26.8
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/01	USD	10.65	1.2	10.4	-19.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	11/30	USD	2182.95	24.0	29.9	-11.2

المجموعة المالية - هيرميس
EFG HERMES

HERMES FINANCIAL MANAGEMENT (EGYPT) LIMITED, AMSALES@EFG-HERMES.COM
*Tel: 9714 363 4041 *Middle East & Developing Africa Fund*

EFG-Hermes Egypt	GL	EQ	BMU	10/30	USD	43.54	25.9	29.9	NS
EFG-Hermes MEDA*	GL	EQ	BMU	09/30	USD	24.16	15.3	-17.3	-10.4
EFG-Hermes Saudi Arabia Equity	EA	EQ	SAU	10/27	SAR	6.27	32.3	11.2	NS
EFG-Hermes Telecom	OT	EQ	BMU	09/30	USD	29.73	16.0	-0.1	-8.2

LLOYD GEORGE MANAGEMENT (HK) LTD
Suite 3808, One Exchange Square, HK: Tel. 852 2845 4433 Fax. 852 2845 3911

LG Antenna	GL	EQ	BMU	11/27	USD	58.05	70.0	94.9	-10.0
LG Asian Plus	AS	EQ	CYM	11/27	USD	53.71	42.1	56.6	-18.0
LG AsianSmallerCo's	AS	EQ	BMU	12/01	USD	94.47	71.3	99.2	-23.2
LG India	EA	EQ	MUS	11/30	USD	62.69	96.5	118.4	-15.2

Manulife WEALTH MANAGEMENT 宏利財富管理

MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	12/01	USD	14.58	21.5	21.3	-14.8
American Growth AA	US	EQ	LUX	12/01	USD	0.84	21.2	20.9	-8.4
Asian Equity	AS	EQ	LUX	12/01	USD	2.39	59.7	74.0	-11.6
Asian Equity AA	AS	EQ	LUX	12/01	USD	0.77	59.2	73.4	-11.8
Asian Sm Cap Equity AA	AS	EQ	LUX	12/01	USD	1.13	87.6	108.5	-7.5
China Value A	AS	EQ	LUX	12/01	USD	7.06	63.5	74.4	-8.6
China Value AA	AS	EQ	LUX	12/01	USD	2.22	63.1	74.0	-8.8
Dragon Growth	AS	EQ	LUX	12/01	USD	1.64	67.6	74.8	-10.4
Dragon Growth AA	OT	OT	LUX	12/01	HKD	7.99	67.5	74.4	-11.5
Emg Eastrn Europe A	EU	EQ	LUX	12/01	USD	4.47	89.5	90.2	-18.6
Emg Eastrn Europe AA	EU	EQ	LUX	12/01	USD	1.92	89.3	89.9	-18.7
European Growth	EU	EQ	LUX	12/01	USD	9.24	43.7	58.9	-18.6
European Growth AA	EU	EQ	LUX	12/01	USD	0.66	43.4	58.5	-18.3
Global Contrarain AA	GL	EQ	LUX	12/01	USD	0.86	77.6	89.7	NS
Global Property AA	OT	EQ	LUX	12/01	USD	0.66	42.6	53.5	-17.3
Global Resources AA	OT	EQ	LUX	12/01	USD	1.10	55.9	67.4	-10.5
Healthcare AA	OT	EQ	LUX	12/01	USD	0.91	10.7	17.1	NS
India Equity AA	EA	EQ	LUX	12/01	USD	1.08	78.0	98.3	-17.3
International Growth	GL	EQ	LUX	12/01	USD	3.03	21.5	25.8	-16.6
International Growth AA	GL	EQ	LUX	12/01	USD	0.70	21.2	25.5	-16.8
Japanese Growth	JP	EQ	LUX	12/01	USD	2.75	6.2	16.1	-16.3
Japanese Growth AA	JP	EQ	LUX	12/01	USD	0.72	5.9	15.8	-15.2
Latin America Equity AA	GL	EQ	LUX	12/01	USD	1.25	100.2	107.0	-5.4
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/01	USD	1.10	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/01	USD	0.63	131.5	127.5	-21.3
Taiwan Equity AA	AS	EQ	LUX	12/01	USD	1.01	73.4	81.6	-3.2
Turkey Equity AA	EE	EQ	LUX	12/01	USD	0.66	79.6	98.5	-19.0
U.S. Bond AA	US	BD	LUX	12/01	USD	1.11	18.5	22.1	7.6
U.S. High Yield Bond AA	US	BD	LUX	12/01	USD	0.74	65.0	68.5	-5.6
U.S. Sm Cap Equity AA	US	EQ	LUX	12/01	USD	0.77	60.1	57.1	-16.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/01	USD	1.16	10.0	17.2	3.9

PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	11/25	USD	123.19	113.5	175.1	-1.4

Sensible Asset Management
A Value Partners Group company

SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	11/30	USD	7.72	80.0	97.4	-8.2

SOCIETE GENERALE
Asset Management

SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM
SGAM Fund

Bonds Eur Hi Yld A	EU	BD	LUX	11/30	EUR	20.15	51.6	48.3	-2.5
Bonds EURO A	EU	BD	LUX	11/30	EUR	41.40	4.8	6.1	5.6
Bonds EUROPE A	EU	BD	LUX	11/30	EUR	39.29	3.7	4.1	4.3
Bonds US OppsCoreplus A	US	BD	LUX	11/30	USD	37.28	18.2	22.6	8.8
Bonds World A	GL	BD	LUX	11/30	USD	44.47	11.6	19.1	9.0
Eq. China A	AS	EQ	LUX	12/01	USD	24.44	63.5	76.9	-16.1
Eq. ConcentratedEuropeA	EU	EQ	LUX	11/30	EUR	25.40	23.3	20.2	-20.0
Eq. Eastern Europe A	EU	EQ	LUX	11/30	EUR	21.27	60.9	40.5	-29.0
Eq. Euroland A	EU	EQ	LUX	11/30	EUR	10.21	11.4	12.1	-23.0
Eq. EurolandCyclclsA	EU	EQ	LUX	11/30	EUR	16.83	22.5	24.3	-18.0
Eq. EurolandFinancialA	OT	EQ	LUX	11/30	EUR	11.06	31.3	28.5	-22.8
Eq. Glbl Emg Cty A	GL	EQ	LUX	11/30	USD	9.39	57.1	70.4	-16.1
Eq. Global A	GL	EQ	LUX	11/30	USD	27.35	30.0	34.8	-15.7
Eq. Global Energy A	OT	EQ	LUX	11/30	USD	17.75	24.5	19.6	-13.4
Eq. Global Technol A	OT	OT	LUX	04/24	USD	4.46	22.1	-29.7	-21.6
Eq. Gold Mines A	OT	EQ	LUX	11/30	USD	32.37	54.8	90.1	4.0
Eq. Pacific A	AS	EQ	LUX	12/01	USD	10.22	60.1	70.5	-15.1
Eq. US Lg Cap Gr A	US	EQ	LUX	11/30	USD	14.82	37.5	36.6	-14.3
Eq. US Rel Val A	US	EQ	LUX	11/30	USD	19.96	28.5	32.5	-16.6
Eq. US Sm Cap Val A	US	EQ	LUX	11/30	USD	14.83	14.6	18.3	-22.9
Money Market EURO A	EU	MM	LUX	11/30	EUR	27.39	1.0	1.3	2.8
Money Market USD A	US	MM	LUX	11/30	USD	15.83	0.5	0.7	1.9

المستثمر الوطني
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TNI Mena Real Estate Fund	OT	OT	BMU	11/26	USD	1032.51	9.8	4.5	-22.2
TNI MENA Special Sits Fund	OT	OT	BMU	10/29	USD	1139.93	17.4	NS	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	11/26	AED	6.14	33.8	12.4	-24.1

Value Partners
Investing through discipline

WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	11/30	USD	29.32	82.8	100.8	0.0
Intel-China Converg*	AS	EQ	CYM	11/30	USD	112.36	84.4	103.2	-1.5
VP Classic - A	AS	EQ	CYM	12/01	USD	184.61	81.1	105.4	-2.1
VP CLassic - B	AS	EQ	CYM	12/01	USD	86.08	80.3	104.4	-2.5
VP High Dividend Stk	AS	EQ	CYM	11/30	USD	44.49	79.0	99.2	-1.2

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YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	12/01	JPY	8768.00	1.9	5.1	-29.4
YMR-N Small Cap Fund	OT	OT	IRL	12/01	JPY	6742.00	5.0	11.4	-28.7

Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	12/01	JPY	5775.00	-2.2	1.6	-30.6
Yuki 77 Growth	JP	EQ	IRL	12/01	JPY	5408.00	-8.6	-5.6	-35.4

Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/01	JPY	6359.00	1.9	4.3	-27.5
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/01	JPY	7238.00	-11.6	-6.8	-28.0

Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/01	JPY	4301.00	-5.5	-2.5	-31.4
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/01	JPY	4983.00	-5.6	-3.3	-24.6
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/01	JPY	4913.00	4.4	10.6	-27.2

Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/01	JPY	4055.00	-4.6	-2.9	-34.9
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/01	JPY	4299.00	-4.3	-3.8	-35.2
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/01	JPY	6407.00	5.0	7.8	-29.5
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/01	JPY	7960.00	-0.8	2.6	-29.9
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/01	JPY	6013.00	-3.8	0.3	-31.9
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/01	JPY	7168.00	-9.9	-6.5	-27.6
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/01	JPY	4798.00	-3.7	-1.1	-30.0
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/01	JPY	10876.00	-4.0	2.6	-25.2
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/01	JPY	7490.00	-2.0	1.2	-33.7
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/01	JPY	6849.00	11.7	16.5	-29.1
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/01	JPY	5346.00	2.9	8.2	-25.9
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/01	JPY	2645.00	10.8	11.2	-34.4

Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	12/01	JPY	5008.00	-1.8	1.5	-30.8

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	0.96%	**111.4%**	130.2%
Russia	0.60	**98.4**	113.1
China 88	0.97	**83.7**	70.8
Turkey	3.36	**73.4**	94.9
Singapore	0.82	**60.4**	72.6
Hong Kong	0.71	**51.6**	62.8
Sweden	0.03	**49.4**	54.3
South Korea	1.77	**45.1**	58.8
Netherlands	0.09	**34.9**	38.6
Canada	0.45	**30.2**	41.4
Australia	0.88	**27.8**	34.1
Switzerland	0.32	**22.5**	24.1
South Africa	0.38	**21.2**	37.6
U.K.	0.25	**19.7**	27.8
Italy	0.19	**18.8**	20.4
France	0.33	**18.4**	19.7
Spain	-0.29	**15.9**	20.1
Germany	0.01	**14.6**	20.7
Japan	0.36	**1.1**	8.9

Dow Jones Regional Sector Titans

Basic Res	1.66%	**86.5%**	121.3%
Tiger 50*	1.09	**56.7**	73.8
Chemicals	1.18	**51.7**	69.5
Nordic 30 -p	2.33	**36.0**	34.0
EU Enlarged†-p	1.85	**35.3**	31.7
Asian 50	0.72	**31.8**	47.3
Global 50	0.11	**22.3**	26.3
Stoxx 50 -p	2.59	**19.8**	20.8
Euro Stoxx 50 -p	2.66	**17.3**	22.0
Arab 50	0.43	**1.8**	0.3

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
RioZim Ltd	Australia	General Mining	$41.4	73.54	**3.00%**	153.2%	19.8%
KDDI	Japan	Mobile Telecommunications	24.4	481,000	**2.78**	-22.7	-38.5
Nippon Steel	Japan	Iron Steel	24.3	337.00	**2.74**	27.2	-37.9
Tokio Marine	Japan	Property Casualty Insurance	23.8	2,635	**2.73**	24.6	-36.8
Nissan Motor	Japan	Automobiles	34.3	661.00	**2.48**	111.9	-52.0
Nintendo	Japan	Toys	$30.2	20,570	**-3.06%**	-33.2	-23.9
Sumitomo Mitsui Finl	Japan	Banks	32.7	2,830	**-2.25**	-13.7	-76.6
Mitsubishi UFJ Finl Grp	Japan	Banks	64.5	486.00	**-2.21**	3.4	-67.2
Westfield Grp	Australia	Retail REITs	25.4	12.05	**-1.79**	-11.4	-36.5
Shin-Etsu Chml	Japan	Specialty Chemicals	22.9	4,700	**-1.67**	33.1	-37.1

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
JFE Hldgs Japan (Iron Steel)	18.3	3,010	**2.38%**	40.3%	-45.7%
Mitsubishi Japan (Industrial Suppliers)	38.6	2,050	**2.24**	91.4	-10.3
KB Fncl Group South Korea (Banks)	20.2	60,300	**2.20**	111.7	-13.3
Mitsui Japan (Industrial Suppliers)	24.7	1,188	**2.15**	56.5	-28.7
Honda Motor Japan (Automobiles)	60.1	2,865	**2.14**	59.4	-28.7
Panasonic Japan (Consumer Electronics)	27.5	1,156	**1.85**	6.0	-48.4
NTT DoCoMo Japan (Mobile Telecommunications)	65.1	133,100	**1.84**	-20.0	-26.9
Shinhan Financial Grp South Korea (Banks)	19.3	46,750	**1.74**	52.9	7.6
Commonwealth Bk of Australia Australia (Banks)	77.1	54.70	**1.58**	75.3	17.3
POSCO South Korea (Iron Steel)	38.3	580,000	**1.58**	83.0	97.3
PetroChina Hong Kong (Integrated Oil Gas)	27.0	9.90	**1.43**	57.6	-1.6
China Constr Bk Hong Kong (Banks)	207.0	7.14	**1.42**	68.4	66.8
BHP Billiton Australia (General Mining)	130.5	41.92	**1.40**	50.7	56.9
Nippon T&T Japan (Fixed Line Telecommunications)	56.6	3,730	**1.36**	-16.0	-36.2
Samsung Elec South Korea (Semiconductors)	95.8	747,000	**1.36**	69.4	17.6
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.7	117.10	**1.30**	112.0	30.8
CNOOC Hong Kong (Exploration Production)	70.2	12.18	**1.16**	101.3	76.5
Toyota Motor Japan (Automobiles)	128.6	3,560	**1.14**	27.1	-49.0
China Mobile (HK) Hong Kong (Mobile Telecommunications)	189.4	73.85	**1.10**	2.5	14.3
Woodside Petroleum Australia (Exploration Production)	32.8	49.80	**1.01**	58.7	30.4

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
National Australia Bk Australia (Banks)	55.0	28.80	**0.88%**	54.9%	-25.9%
Cheung Kong (Hldgs) Hong Kong (Real Estate Holding Development)	29.7	99.40	**0.81**	46.6	7.5
Seven I Hldgs Japan (Broadline Retailers)	21.0	2,025	**0.75**	-27.9	-45.0
Kansai Elec Power Japan (Conventional Electricity)	23.6	2,160	**0.70**	-18.5	-30.8
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.2	53.05	**0.66**	51.6	-29.4
Aus NZ Bk Australia (Banks)	51.4	22.11	**0.64**	56.1	-20.7
Mizuho Financial Grp Japan (Banks)	26.8	166.00	**0.61**	-28.6	-80.1
Indl Comm Bk China Hong Kong (Banks)	72.2	6.74	**0.60**	72.4	69.8
Westpac Bking Australia (Banks)	65.5	24.27	**0.37**	47.1	2.4
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	36.6	138.00	**0.36**	171.8	-7.0
East Japan Railway Japan (Travel Tourism)	27.8	6,060	**0.33**	-17.0	-24.7
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	49.0	60.80	**0.16**	64.5	-9.1
Japan Tobacco Japan (Tobacco)	28.3	257,300	**0.08**	-23.9	-49.1
Takeda Pharm Japan (Pharmaceuticals)	33.0	3,650	**...**	-18.5	-52.2
China Life Ins Hong Kong (Life Insurance)	37.5	39.05	**...**	93.8	104.2
QBE Ins Grp Australia (Reinsurance)	21.0	22.55	**-0.09**	-5.0	-12.0
Tokyo Elec Power Japan (Conventional Electricity)	35.8	2,310	**-0.22**	-22.4	-38.6
Woolworths Australia (Food Retailers Wholesalers)	32.1	28.09	**-0.46**	5.8	31.0
Canon Japan (Electronic Office Equipment)	47.4	3,350	**-1.47**	26.7	-45.5
Sony Japan (Consumer Electronics)	26.7	2,335	**-1.48**	32.4	-49.0

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.18%	0.42%	1.4%	7.2%	7.9%
Event Driven	-0.10	0.74	4.2	14.2	9.2
Equity Long/Short	0.12	0.81	-0.1	2.9	-4.5

*Estimates as of 11/30/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

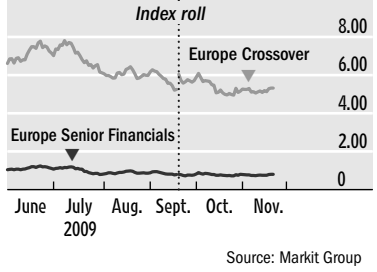
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.85	100.71%	0.01%	1.00	0.78	0.86
Eur. High Volatility: 12/1	1.33	98.46	0.01	1.76	1.33	1.44
Europe Crossover: 12/1	5.23	99.07	0.05	6.15	4.87	5.34
Asia ex-Japan IG: 12/1	1.13	99.37	0.01	1.29	0.96	1.11
Japan: 12/1	1.42	97.97	0.01	1.68	0.99	1.32

Note: Data as of December 1

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Shimizu	179	**-27**	26	53
Toshiba	174	**-26**	–10	–4
Obayashi	219	**-26**	26	71
Nishimatsu Constr	531	**-25**	29	4
Taiheiyo Cem	534	**-19**	34	138
Taisei	397	**-18**	43	110
Kobe Stl	127	**-17**	–7	16
Kajima	342	**-15**	46	145
Nippon Sheet Glass	217	**-14**	31	19
Softbank	452	**-14**	–3	–22

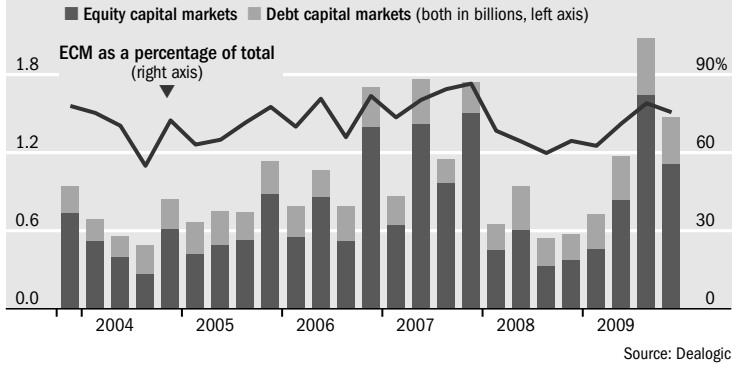
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Cen Japan Rwy	28	**1**	1	6
Nippon Telegraph Tel	26	**1**	4	6
Sanyo Elec	75	**1**	...	–2
Nankai Elec Rwy	81	**1**	4	11
Komatsu	40	**1**	6	6
Sompo Japan Ins	124	**1**	12	24
Yokogawa Elec	105	**1**	10	12
Hysan Dev	71	**2**	2	–9
Nomura Secs	162	**4**	9	21
Aeon	162	**9**	22	48

Source: Markit Group

Behind Asia's deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)*	CBOT	**410.25**	-4.25	**-1.03%**	712.25	315.50
Soybeans (cents/bu.)*	CBOT	**1056.00**	-3.50	**-0.33**	1,315.00	794.00
Wheat (cents/bu.)*	CBOT	**575.00**	-9.00	**-1.54**	1,029.25	459.00
Live cattle (cents/lb.)*	CME	**84.825**	-0.900	**-1.05**	108.600	84.150
Cocoa ($/ton)*	ICE-US	**3,332**	-21	**-0.63**	3,439	1,994
Coffee (cents/lb.)*	ICE-US	**144.15**	1.45	**1.02%**	188.65	115.00
Sugar (cents/lb.)*	ICE-US	**23.09**	0.43	**1.90**	26.25	11.91
Cotton (cents/lb.)*	ICE-US	**73.51**	0.03	**0.04**	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	**2,489.00**	-6	**-0.24**	2,521	2,013
Cocoa (pounds/ton)	LIFFE	**2,203**	-22	**-0.99**	2,250	1,475
Robusta coffee ($/ton)	LIFFE	**1,345**	-2	**-0.15**	1,955	1,295
Copper (cents/lb.)	COMEX	**326.40**	3.30	**1.02**	365.00	135.50
Gold ($/troy oz.)*	COMEX	**1210.00**	11.00	**0.92**	1,218.40	762.30
Silver (cents/troy oz.)*	COMEX	**1926.50**	5.50	**0.29**	2,011.50	1,045.00
Aluminum ($/ton)	LME	**2,130.00**	50.00	**2.40**	2,130.00	1,288.00
Tin ($/ton)	LME	**15,100.00**	150.00	**1.00**	15,700.00	9,750.00
Copper ($/ton)	LME	**7,079.00**	64.00	**0.91**	7,079.00	2,815.00
Lead ($/ton)	LME	**2,487.00**	117.00	**4.94**	2,487.00	870.00
Zinc ($/ton)	LME	**2,405.00**	73.00	**3.13**	2,405.00	1,065.00
Nickel ($/ton)	LME	**16,500**	200	**1.23**	21,150	9,175
Crude oil ($/bbl.)	NYMEX	**76.63**	-1.74	**-2.22**	139.00	47.31
Heating oil ($/gal.)*	NYMEX	**2.0379**	-0.0401	**-1.93**	4.1847	1.3640
RBOB gasoline ($/gal.)*	NYMEX	**1.9805**	-0.0618	**-3.03**	2.7100	1.1525
Natural gas ($/mmBtu)*	NYMEX	**4.670**	-0.092	**-1.93**	12.920	4.560
Brent crude ($/bbl.)	ICE-EU	**78.64**	-0.71	**-0.89**	108.19	48.19
Gas oil ($/ton)	ICE-EU	**637.50**	-7.25	**-1.12**	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Dec. 2

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.7462	0.1740	3.8125	0.2623
Brazil real	2.5886	0.3863	1.7175	0.5822
Canada dollar	1.5750	0.6349	1.0450	0.9569
1-mo. forward	1.5750	0.6349	1.0450	0.9569
3-mos. forward	1.5750	0.6349	1.0450	0.9569
6-mos. forward	1.5754	0.6348	1.0452	0.9567
Chile peso	755.33	0.001324	501.15	0.001995
Colombia peso	2998.73	0.0003335	1989.60	0.0005026
Ecuador US dollar-f	1.5072	0.6635	1	1
Mexico peso-a	19.2274	0.0520	12.7570	0.0784
Peru sol	4.3370	0.2306	2.8775	0.3475
Uruguay peso-e	29.918	0.0334	19.850	0.0504
U.S. dollar	1.5072	0.6635	1	1
Venezuela bolivar	3.24	0.308984	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6241	0.6157	1.0775	0.9281
China yuan	10.2887	0.0972	6.8264	0.1465
Hong Kong dollar	11.6809	0.0856	7.7501	0.1290
India rupee	69.7457	0.0143	46.2750	0.0216
Indonesia rupiah	14220	0.0000703	9435	0.0001060
Japan yen	131.60	0.007599	87.32	0.011453
1-mo. forward	131.58	0.007600	87.30	0.011455
3-mos. forward	131.54	0.007603	87.27	0.011459
6-mos. forward	131.42	0.007609	87.20	0.011468
Malaysia ringgit-c	5.0890	0.1965	3.3765	0.2962
New Zealand dollar	2.0736	0.4823	1.3758	0.7269
Pakistan rupee	126.077	0.0079	83.650	0.0120
Philippines peso	70.107	0.0143	46.515	0.0215
Singapore dollar	2.0798	0.4808	1.3799	0.7247
South Korea won	1737.80	0.0005754	1153.00	0.0008673
Taiwan dollar	48.411	0.02066	32.120	0.03113
Thailand baht	49.964	0.02001	33.150	0.03017

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6635	1.5072
1-mo. forward	1.0001	0.9999	0.6635	1.5071
3-mos. forward	1.0004	0.9996	0.6637	1.5067
6-mos. forward	1.0011	0.9989	0.6642	1.5056
Czech Rep. koruna-b	25.962	0.0385	17.225	0.0581
Denmark krone	7.4401	0.1344	4.9364	0.2026
Hungary forint	269.94	0.003705	179.10	0.005583
Norway krone	8.4016	0.1190	5.5743	0.1794
Poland zloty	4.1048	0.2436	2.7235	0.3672
Russia ruble-d	44.204	0.02262	29.329	0.03410
Sweden krona	10.3077	0.0970	6.8390	0.1462
Switzerland franc	1.5063	0.6639	0.9994	1.0006
1-mo. forward	1.5060	0.6640	0.9992	1.0008
3-mos. forward	1.5053	0.6643	0.9988	1.0012
6-mos. forward	1.5043	0.6648	0.9981	1.0019
Turkey lira	2.2542	0.4436	1.4956	0.6686
U.K. pound	0.9050	1.1049	0.6005	1.6653
1-mo. forward	0.9052	1.1047	0.6006	1.6650
3-mos. forward	0.9056	1.1043	0.6008	1.6644
6-mos. forward	0.9060	1.1037	0.6011	1.6635
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5682	1.7600	0.3770	2.6527
Egypt pound-a	8.2368	0.1214	5.4650	0.1830
Israel shekel	5.6889	0.1758	3.7745	0.2649
Jordan dinar	1.0667	0.9375	0.7078	1.4129
Kuwait dinar	0.4292	2.3301	0.2848	3.5119
Lebanon pound	2263.06	0.0004419	1501.50	0.0006660
Saudi Arabia riyal	5.6544	0.1769	3.7516	0.2666
South Africa rand	11.0026	0.0909	7.3000	0.1370
United Arab dirham	5.5359	0.1806	3.6730	0.2723
SDR -f	0.9349	1.0696	0.6203	1.6122

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
32	**ASIA-PACIFIC**	DJ Asia-Pacific	122.69	0.54	**0.44%**	31.1%	47.0%
...	Australia	SPX/ASX 200	4762.36	43.36	**0.92**	27.9	34.8
...	China	CBN 600	29348.28	316.39	**1.09**	98.8	86.7
21	Hong Kong	Hang Seng	22289.57	176.42	**0.80**	54.9	64.0
19	India	Sensex	17169.91	-28.36	**-0.16%**	78.0	96.3
...	Indonesia	Jakarta Composite	2471.564	19.063	**0.78**	82.3	107.3
...	Japan	Nikkei Stock Average	9608.94	36.74	**0.38**	8.5	20.1
...		Topix	858.74	0.98	**0.11**	-0.1	7.5
...	Malaysia	Kuala Lumpur Composite	1271.15	4.44	**0.35**	45.0	50.0
...	New Zealand	NZSX-50	3149.446	2.846	**0.09**	16.0	16.4
8	Pakistan	KSE 100	9087.70	74.66	**0.83**	54.9	-1.1
16	Philippines	Manila Composite	3119.96	22.04	**0.71**	66.6	63.8
...	Singapore	Straits Times	2796.34	25.39	**0.92**	58.7	70.4
11	South Korea	Kospi	1591.63	21.91	**1.40**	41.5	55.6
21	Taiwan	Weighted	7677.62	28.39	**0.37**	67.2	78.2
10	Thailand	SET	693.51	-16.50	**-2.32**	54.1	76.5
50	**EUROPE**	DJ Stoxx 600	246.52	0.94	**0.38**	25.2	24.3
22		DJ Stoxx 50	2500.63	5.06	**0.20**	21.1	20.1
60	**Euro Zone**	DJ Euro Stoxx	267.73	0.46	**0.17%**	20.2%	23.7%
20		DJ Euro Stoxx 50	2874.74	2.99	**0.10**	17.3	21.3
18	Denmark	OMX Copenhagen	316.44	4.87	**1.56**	39.9	34.5
19	Finland	OMX Helsinki	6221.51	-3.26	**-0.05%**	15.1	16.2
19	France	CAC-40	3795.92	20.18	**0.53**	18.0	19.9
22	Germany	DAX	5781.68	5.07	**0.09**	20.2	26.6
16	Italy	FTSE MIB	22572.88	16.83	**0.07**	16.0	18.0
...	Netherlands	AEX	316.44	1.00	**0.32**	28.7	30.7
...	Russia	RTSI	1415.98	-0.32	**-0.02**	124.1	134.7
11	Spain	IBEX 35	11868.8	6.7	**0.06**	29.1	33.7
14	Switzerland	SMI	6386.54	14.46	**0.23**	15.4	14.0
...	Turkey	ISE National 100	47898.19	1814.24	**3.94**	78.3	100.1
15	U.K.	FTSE 100	5327.39	15.22	**0.29**	20.1	27.8
21	**AMERICAS**	DJ Americas	294.69	1.02	**0.35**	30.3	41.9
...	Brazil	Bovespa	68943.55	397.30	**0.58**	83.6	95.1
...	Argentina	Merval	2224.44	14.32	**0.65**	106.0	129.4
20	Mexico	IPC	32222.44	471.86	**1.49**	44.0	60.3

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
2.24%	20	**DJ Global Index**	227.26	0.76	**0.76%**	42.6%	0.3%	-5.8%
1.89	21	**Global DOW**	1980.59	2.28	**2.28**	40.0	0.1	-1.5
2.45		**Asia/Pacific 600**	115.19	0.22	**0.22**	34.2	0.2	-6.9
1.81	15	**Emerging Markets**	277.44	2.52	**2.52**	102.0	0.9	4.3
2.21	32	**Asia/Pacific**	122.69	0.53	**0.53**	47.0	0.4	-5.0
2.45	13	**Asia/Pacific ex-Japan**	312.08	3.43	**3.43**	92.6	1.1	1.4
2.65	22	**Southeast Asia**	154.08	0.86	**0.86**	89.4	0.6	1.9
0.83	30	**CBN China 600** -c	29348.28	316.38	**316.38**	86.7	1.1	29.3
0.86	34	**Shanghai**	391.00	4.40	**4.40**	86.6	1.1	29.2
0.57	48	**Shenzhen**	424.03	5.07	**5.07**	109.6	1.2	35.5
2.14	20	**China Offshore 50**	4216.68	41.76	**41.76**	72.8	1.0	13.3
8.70	8	**Australia LPT** -c, d	1106.04	-16.60	**-16.60**	-0.1	-1.5	-21.0

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
2.18%	15	**Islamic Market**	1968.59	7.81	**7.81%**	43.3%	0.4%	-1.5%
2.48	16	**Islamic Market 100**	2128.50	5.56	**5.56**	28.9	0.3	-2.1
9.81	19	**Bahrain**	119.68	-0.18	**-0.18**	-26.0	-0.1	-13.6
2.95	32	**Kuwait**	185.23	-2.96	**-2.96**	-29.7	-1.6	-16.6
2.67	19	**Sustainability**	1025.08	2.77	**2.77**	43.7	0.3	-6.1
2.72	50	**Stoxx 600 -p**	276.84	8.66	**8.66**	47.8	3.2	-7.3
4.74	17	**Stoxx Select Div 30 -p**	1830.97	61.81	**61.81**	44.8	3.5	-19.5
3.98	23	**Euro Stoxx Sel Div 30 -p**	2184.03	65.13	**65.13**	49.6	3.1	-14.7
1.78	29	**DJ U.S. TSM**	11371.55	37.73	**37.73**	31.1	0.3	-6.9
4.06	15	**U.S. Select Dividend -d**	640.65	3.74	**3.74**	12.5	0.6	-9.9
4.71		**U.S. REIT**	139.91	0.76	**0.76**	37.2	0.6	-19.7
		DJ-UBS Commodity -p	137.57	1.08	**1.08**	18.2	0.8	-7.6

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.078	0.600	1.045	6.826	0.663	7.750	46.275	9434.85	87.315	1.376	1153.00	3.376	46.515	1.380	0.999	32.120	33.150
Australia	0.928		0.557	0.970	6.335	0.616	7.192	42.946	8756.01	81.033	1.277	1070.04	3.134	43.168	1.281	0.927	29.809	30.765
Britain	1.665	1.794		1.740	11.368	1.105	12.907	77.064	15712.33	145.410	2.291	1920.15	5.623	77.464	2.298	1.664	53.491	55.206
Canada	0.957	1.031	0.575		6.532	0.635	7.416	44.282	9028.57	83.555	1.317	1103.35	3.231	44.512	1.320	0.956	30.737	31.722
China	0.1465	0.158	0.088	0.153		0.097	1.135	6.779	1382.12	12.791	0.202	168.90	0.495	6.814	0.202	0.146	4.705	4.856
Euro	1.507	1.624	0.905	1.575	10.289		11.681	69.746	14220.21	131.601	2.074	1737.81	5.089	70.107	2.080	1.506	48.411	49.964
Hong Kong	0.129	0.139	0.077	0.135	0.881	0.086		5.971	1217.39	11.266	0.178	148.77	0.436	6.002	0.178	0.129	4.144	4.277
India	0.0216	0.0233	0.0130	0.0226	0.1475	0.0143	0.1675		203.89	1.8869	0.0297	24.92	0.0730	1.0052	0.0298	0.0216	0.6941	0.7164
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0093	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.078	0.008	0.089	0.530	108.06		0.016	13.21	0.039	0.533	0.016	0.011	0.368	0.380
New Zealand	0.727	0.783	0.436	0.760	4.962	0.482	5.633	33.635	6857.72	63.465		838.06	2.454	33.809	1.003	0.726	23.346	24.095
South Korea	0.0009	0.0009	0.0005	0.0009	0.0059	0.0006	0.0067	0.0401	8.18	0.0757	0.0012		0.0029	0.0403	0.0012	0.0009	0.0279	0.0288
Malaysia	0.296	0.319	0.178	0.309	2.022	0.197	2.295	13.705	2794.31	25.860	0.407	341.48		13.776	0.409	0.296	9.513	9.818
Philippines	0.021	0.023	0.013	0.022	0.147	0.014	0.167	0.995	202.83	1.877	0.030	24.79	0.073		0.030	0.021	0.691	0.713
Singapore	0.725	0.781	0.435	0.757	4.947	0.481	5.616	33.535	6837.35	63.276	0.997	835.57	2.447	33.709		0.724	23.277	24.023
Switzerland	1.001	1.078	0.601	1.046	6.830	0.664	7.755	46.303	9440.52	87.367	1.377	1153.70	3.378	46.543	1.381		32.139	33.170
Taiwan	0.031	0.034	0.019	0.033	0.213	0.021	0.241	1.441	293.74	2.718	0.043	35.90	0.105	1.448	0.043	0.031		1.032
Thailand	0.030	0.033	0.018	0.032	0.206	0.020	0.234	1.396	284.61	2.634	0.042	34.78	0.102	1.403	0.042	0.030	0.969	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 02, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	299.57	2.01%	**31.6%**	36.1%
2.50	26	**World (Developed Markets)**	1,171.94	2.00	**27.4**	31.2
1.90	124	**World Small Cap**	186.06	2.20	**38.6**	46.7
2.60	22	**Kokusai (World ex-Japan)**	1,162.49	2.05	**30.3**	33.4
3.10	26	**EAFE**	1,600.77	2.64	**29.4**	37.0
2.20	20	**Emerging Markets (EM)**	973.31	2.12	**71.6**	84.7
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	408.18	1.44	**65.0**	79.5
2.10	25	**AC Far East ex-Japan**	437.31	1.45	**60.4**	76.4
1.80	-35	**Japan**	533.39	2.12	**0.6**	3.5
1.90	20	**China**	65.48	1.55	**60.5**	77.3
0.90	39	**China A (China Domestic)**	3,388.26	1.54	**95.4**	94.9
2.60	23	**Hong Kong**	10,117.76	1.48	**54.4**	60.1
1.00	21	**India**	696.14	1.89	**88.5**	101.0
1.10	24	**Korea**	448.20	1.13	**46.0**	50.0
2.40	21	**Malaysia**	467.89	0.63	**45.7**	47.4
3.10	17	**Singapore**	1,551.93	1.71	**55.7**	57.8
2.70	315	**Taiwan**	277.05	0.99	**59.8**	65.4
3.10	20	**Thailand**	290.12	3.51	**56.7**	74.8
4.00	25	**Australia**	971.62	0.38	**27.0**	25.9
5.30	16	**New Zealand**	85.91	0.67	**13.2**	10.8
1.90	32	**US BROAD MARKET**	1,220.04	1.29	**24.2**	26.1
3.40	17	**EUROPE**	85.41	2.69	**23.0**	18.1

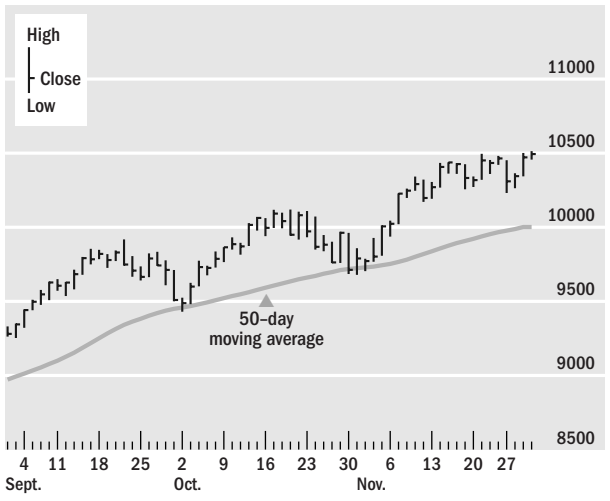
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10493.95** ▲ 22.37, or 0.21%
YEAR TO DATE: ▲ **1,717.56, or 19.6%**
OVER 52 WEEKS ▲ **1,902.26, or 22.1%**



Nasdaq Composite Index P/E: 44*

LAST: **2195.58** ▲ 19.77, or 0.91%
YEAR TO DATE: ▲ **618.55, or 39.2%**
OVER 52 WEEKS ▲ **703.20, or 47.1%**

S&P 500 Index P/E: 71

LAST: **1112.93** ▲ 4.07, or 0.37%
YEAR TO DATE: ▲ **209.68, or 23.2%**
OVER 52 WEEKS ▲ **242.19, or 27.8%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**9.70**	$27.39	0.21	**0.77%**
Alcoa	AA	**21.90**	13.42	0.62	**4.84**
AmExpress	AXP	**5.60**	40.95	-0.35	**-0.84**
BankAm	BAC	**54.00**	15.64	-0.25	**-1.57**
Boeing	BA	**2.70**	53.73	0.01	**0.02**
Caterpillar	CAT	**2.90**	59.16	-0.52	**-0.87**
Chevron	CVX	**2.60**	78.55	-0.51	**-0.65**
CiscoSys	CSCO	**14.80**	23.86	-0.06	**-0.25**
CocaCola	KO	**3.20**	57.90	-0.18	**-0.31**
Disney	DIS	**4.80**	30.74	0.01	**0.03**
DuPont	DD	**2.00**	35.36	0.26	**0.74**
ExxonMobil	XOM	**6.00**	75.80	-0.24	**-0.32**
GenElec	GE	**30.90**	16.06	-0.11	**-0.68**
HewlettPk	HPQ	**6.10**	49.25	-0.34	**-0.69**
HomeDpt	HD	**7.40**	28.32	0.32	**1.14**
Intel	INTC	**17.30**	19.69	0.02	**0.13**
IBM	IBM	**1.70**	127.92	-0.02	**-0.02**
JPMorgChas	JPM	**16.80**	41.80	-0.42	**-0.99**
JohnsJohns	JNJ	**5.50**	63.88	0.37	**0.58**
KftFoods	KFT	**3.60**	26.75	0.25	**0.94**
McDonalds	MCD	**2.90**	63.42	-0.12	**-0.19**
Merck	MRK	**6.70**	36.70	-0.18	**-0.49**
Microsoft	MSFT	**14.80**	29.89	-0.12	**-0.40**
Pfizer	PFE	**20.70**	18.56	-0.29	**-1.54**
ProctGamb	PG	**3.60**	63.19	0.28	**0.45**
3M	MMM	**1.40**	78.24	-0.39	**-0.50**
TravelersCos	TRV	**0.90**	52.72	0.12	**0.23**
UnitedTech	UTX	**1.20**	68.09	0.09	**0.13**
Verizon	VZ	**7.80**	32.68	0.34	**1.05**
WalMart	WMT	**3.60**	54.85	0.10	**0.18**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**105.0**	$4.08	–$0.03	**–0.61%**
SPDR S&P 500	SPY	**64.4**	111.37	0.07	**0.06**
BankAm	BAC	**55.1**	15.63	–0.26	**–1.64**
PwrShrs QQQ	QQQQ	**44.8**	44.23	0.22	**0.49**
iShrRu2000	IWM	**40.5**	59.70	0.71	**1.20**
E Trade	ETFC	**38.5**	1.73	0.02	**1.17**
FordMotor	F	**35.4**	8.98	0.10	**1.13**
DrxFinancBear 3x	FAZ	**32.1**	19.48	0.08	**0.41**
SPDR FnclSelSct	XLF	**31.8**	14.65	–0.03	**–0.17**
GenElec	GE	**31.0**	16.06	–0.11	**–0.68**
iShrMSCI Jpn	EWJ	**30.8**	9.89	0.00	**0.00**
iShrMSCIEmrgMkt	EEM	**30.3**	41.90	0.22	**0.52**
US NatGas	UNG	**26.6**	8.71	–0.33	**–3.65**
SandRidgeEngy	SD	**23.9**	8.81	–0.18	**–2.00**
Alcoa	AA	**22.0**	13.41	0.61	**4.77**

Biggest gainers...

BioFuelEgyCp	BIOF	**1,741.7**	$3.53	$0.87	**32.71%**
CompuCredit	CCRT	**211.7**	2.77	0.56	**25.34**
MrcntlBk	MBWM	**16.1**	3.71	0.70	**23.26**
Dyax	DYAX	**12,581.4**	4.31	0.81	**23.13**
Santarus	SNTS	**6,767.8**	5.04	0.75	**17.37**

...Biggest losers

TongxinIntWt	TXICW	**63.8**	$3.36	-$0.54	**-13.76%**
IBC CapFin	IBCPO	**30.5**	10.33	-1.41	**-11.97**
IntrtapPly	ITP	**50.0**	2.26	-0.30	**-11.72**
GameStop A	GME	**10,674.0**	21.58	-2.26	**-9.48**
GSI Tech	GSIT	**920.9**	4.35	-0.44	**-9.19**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.39	$5.72	**Taiwan Semi**	TSM	**9,991.4**	$10.70	0.19	**1.81%**
3.87	1.62	**Utd Microelectronics**	UMC	**2,548.6**	3.56	0.03	**0.85**
11.73	5.31	**AU Optrncs**	AUO	**2,385.9**	10.94	0.00	**0**
8.19	3.14	**Siliconware Prec Ind**	SPIL	**1,997.2**	7.02	0.18	**2.63**
4.63	1.36	**Adv Semi Engrg**	ASX	**1,673.5**	4.20	0.25	**6.33**
78.75	32.33	**BHP Billiton**	BHP	**1,647.2**	78.13	0.88	**1.14**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**777.4**	5.59	-0.10	**-1.76**
18.80	12.59	**SK Telecom**	SKM	**557.8**	16.86	0.03	**0.18**
15.95	8.56	**China Unicom**	CHU	**468.7**	13.59	-0.02	**-0.15**
32.79	9.91	**Aluminum Cp of China**	ACH	**426.2**	28.44	0.22	**0.78**
59.22	40.20	**China Mobile**	CHL	**389.3**	47.93	0.46	**0.97**
52.99	21.87	**Infosys Tech**	INFY	**372.2**	52.00	0.03	**0.06**
30.82	15.64	**Sony**	SNE	**370.0**	26.95	-0.49	**-1.78**
15.29	6.85	**Korea Elec Pwr**	KEP	**363.2**	14.11	0.06	**0.43**
33.17	17.35	**Honda Motor**	HMC	**353.3**	33.16	0.80	**2.47**
9.50	3.96	**Nomura Hldgs**	NMR	**288.5**	7.47	0.00	**0**
87.67	55.41	**Toyota Motor**	TM	**212.7**	82.29	0.84	**1.03**
17.66	10.46	**KT Corp**	KTC	**200.5**	16.80	0.02	**0.09**
27.96	17.71	**NTT**	NTT	**189.6**	21.46	0.18	**0.82**
7.10	2.00	**Alumina**	AWC	**154.6**	5.86	0.01	**0.17**
135.92	63.94	**PetroChina**	PTR	**150.7**	127.86	-0.15	**-0.12**
79.00	36.22	**China Life Ins**	LFC	**146.3**	76.32	-0.20	**-0.26**
19.56	15.05	**ChunghwaTel**	CHT	**145.9**	17.92	-0.06	**-0.33**
20.35	13.11	**NTT DoCoMo**	DCM	**142.1**	15.33	0.16	**1.05**
150.50	47.09	**POSCO**	PKX	**130.7**	126.83	2.17	**1.74**
41.25	21.23	**Canon**	CAJ	**113.5**	38.74	-0.52	**-1.31**
20.95	4.88	**Yanzhou Coal Mining**	YZC	**98.1**	20.79	0.29	**1.41**
167.15	71.74	**CNOOC**	CEO	**84.8**	157.63	-0.21	**-0.13**
38.90	18.11	**Telekom Indonesia**	TLK	**80.8**	38.58	0.07	**0.18**
16.60	10.60	**Matsushita Elec**	PC	**79.9**	13.34	0.06	**0.45**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

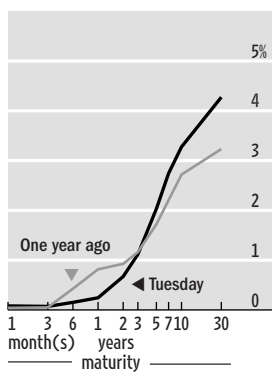
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.295%**	**360.0**	358.9	379.8	**217.2**	**4.240%**	4.697%	**3.072%**
4.500	10	**5.387**	**207.5**	202.1	223.3	**165.2**	**5.250**	5.623	**4.346**
5.250	**Austria** 2	**0.882**	**18.7**	29.2	7.9	**141.6**	**0.943**	0.978	**2.316**
4.350	10	**3.516**	**20.4**	24.7	20.5	**104.2**	**3.476**	3.595	**3.736**
3.500	**Belgium** 2	**1.058**	**36.3**	40.6	24.2	**163.8**	**1.057**	1.141	**2.538**
4.000	10	**3.578**	**26.6**	32.7	25.7	**115.8**	**3.556**	3.647	**3.852**
1.250	**Canada** 2	**1.102**	**40.7**	44.1	48.3	**67.8**	**1.092**	1.382	**1.578**
3.750	10	**3.278**	**-3.4**	-0.8	3.2	**46.1**	**3.221**	3.422	**3.155**
4.000	**Denmark** 2	**2.018**	**132.3**	136.5	149.8	**253.6**	**2.016**	2.397	**3.436**
4.000	10	**3.538**	**22.6**	27.9	25.5	**93.7**	**3.508**	3.645	**3.631**
1.500	**France** 2	**1.196**	**50.1**	55.1	50.1	**153.5**	**1.202**	1.400	**2.435**
3.750	10	**3.435**	**12.3**	17.1	16.9	**82.0**	**3.400**	3.559	**3.514**
1.250	**Germany** 2	**1.260**	**56.5**	58.9	41.0	**119.4**	**1.240**	1.309	**2.094**
3.250	10	**3.171**	**-14.1**	-9.2	-14.2	**39.4**	**3.137**	3.248	**3.088**
0.550	**Hong Kong** 2	**0.449**	**-24.6**	-18.6	-36.3	**22.1**	**0.465**	0.536	**1.121**
2.640	10	**2.336**	**-97.6**	-92.1	-103.1	**-86.9**	**2.308**	2.359	**1.825**
3.750	**Italy** 2	**1.526**	**83.1**	87.9	64.1	**228.8**	**1.530**	1.540	**3.188**
4.250	10	**3.978**	**66.6**	73.0	55.7	**162.5**	**3.959**	3.947	**4.319**
0.300	**Japan** 2	**0.187**	**-50.8**	-44.8	-63.4	**-35.5**	**0.203**	0.265	**0.545**
1.300	10	**1.251**	**-206.1**	-199.4	-197.5	**-127.9**	**1.235**	1.415	**1.415**
4.000	**Netherlands** 2	**0.868**	**17.3**	23.7	6.8	**143.3**	**0.888**	0.967	**2.333**
4.000	10	**3.423**	**11.1**	15.9	14.9	**85.4**	**3.388**	3.539	**3.548**
3.200	**Portugal** 2	**1.203**	**50.8**	55.8	32.9	**199.5**	**1.209**	1.228	**2.895**
4.750	10	**3.731**	**41.9**	47.7	41.9	**117.1**	**3.706**	3.809	**3.865**
5.350	**Spain** 2	**1.348**	**65.3**	72.1	55.7	**177.9**	**1.372**	1.456	**2.679**
4.300	10	**3.759**	**44.7**	51.4	42.5	**112.4**	**3.743**	3.815	**3.818**
4.000	**Switzerland** 2	**0.401**	**-29.4**	-26.3	-35.0	**25.3**	**0.388**	0.549	**1.153**
3.000	10	**1.879**	**-143.3**	-139.3	-134.9	**-55.5**	**1.836**	2.041	**2.139**
3.250	**U.K.** 2	**1.143**	**44.8**	47.5	-4.4	**86.6**	**1.126**	0.855	**1.766**
4.500	10	**3.600**	**28.8**	30.7	23.4	**79.4**	**3.536**	3.624	**3.488**
0.750	**U.S.** 2	**0.695**	**...**	...	...	**...**	**0.651**	0.899	**0.900**
3.375	10	**3.312**	**...**	...	...	**...**	**3.229**	3.390	**2.694**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.274%**	16.69	–1.28%	–2.82%	–21.27%	–13.13%
10-year Treasury	**3.275**	8.40	–0.59	0.92	–5.29	–1.34
7 Year Treasury	**2.743**	6.33	–0.30	2.01	...	...
Five-year Treasury	**2.032**	4.72	–0.10	2.14	2.11	3.49
Ryan Index	**2.352**	6.83	–0.38	0.78	–3.65	–0.36
3 Year Treasury	**1.116**	2.89	–0.01	1.47	2.55	3.40
Two-year Treasury	**0.671**	1.98	0.00	0.93	2.07	2.60
1 Year Treasury	**0.244**	0.96	0.01	0.31	1.07	1.61
Six-month Treasury	**0.152**	0.50	0.01	0.07	0.64	0.86
Ryan Cash Index-a	**0.137**	0.45	...	0.11	0.55	0.74
Three-month bill	**0.071**	0.25	...	0.04	0.35	0.35
One-month bill	**0.081**	0.08	...	0.01	0.14	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	4.00%
Canada	**2.25**	4.00
Japan	**1.475**	1.675
Britain	**0.50**	3.00
ECB	**1.00**	3.25
Switzerland	**0.52**	2.02
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23438%**	1.89000%
Three month	**0.25500**	2.20125
Six month	**0.47813**	2.55625
One year	**1.00313**	2.70375

	Latest	52 wks ago
Euro Libor		
One month	**0.45250%**	3.41500%
Three month	**0.68000**	3.74750
Six month	**0.98125**	3.79625
One year	**1.22250**	3.86313
Hibor		
One month	**0.05000**	1.49429%
Three month	**0.10000**	1.99929
Six month	**0.23929**	2.35071
One year	**0.51857**	2.55071
Asian dollars		
One month	**0.2424%**	1.89%
Three month	**0.2666**	2.2180
Six month	**0.4840**	2.5660
One year	**1.0084**	2.6700

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.4500
One year	**0.6000**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	1.25%
Fed-funds target	**0.25**	1.00
Call money	**2.00**	2.75
Overnight repurchase rates		
U.S.	**0.19%**	0.28%
U.K. (BBA)	**0.475**	2.833
Euro zone	**0.35**	2.85

Sources: WSJ Market Data Group; Reuters

Predicting the next jolts

By Joanna Slater

Contrasting moves by the Japanese and Australian central banks this week are just a few of the many jolts that policy makers will inflict on currency markets in the months to come.

For currency traders, predicting these moves and making the right trades to profit from them could make or break their year.

Some of the steps seem obvious. The Reserve Bank of Australia has been ahead of the pack in raising interest rates—making its latest move on Tuesday—which has pushed the Australian dollar higher. Others are proving less predictable. Japan surprised the market on Tuesday by announcing plans to inject more money into its financial system, causing the yen to weaken.

Most central banks are expected to follow Australia's lead by tightening policy at some point next year, either by raising rates or rolling back measures to pump money into theireconomies.

Getting policy moves right is "the most important thing next year," said George Papamarkakis of North Asset Management, a London hedge fund. There are likely to be "quite pronounced moves in currencies based on the differing exit strategies of central banks."

Collin Crownover, head of currency management for State Street Global Advisors, which oversees $100 billion in currency assets, expects the British pound to strengthen versus the euro, largely because he believes investors have misjudged the pace at which the two central banks will withdraw their measures to support their respective economies.

The Bank of England will move faster than investors think, he says, while the ECB will proceed more slowly.

The direction of interest rates can play a key role in demand for a currency. When a country's benchmark interest rate rises, money often flows into a country in pursuit of the higher yields, strengthening its currency.

Lisa Scott-Smith of Millennium Global Investments, a London currency manager, says she likes the Canadian dollar, the Norwegian krone and the Swedish krona, and is looking for the right timing to bet on these currencies.

"From this stage forward, there is a real potential for divergence in policy," she says. "There will be a time when people will break away because they have the strength to do so, and those currencies will appreciate."

Goldman Sachs also recently told clients that markets aren't anticipating enough tightening of monetary conditions in the U.K., Norway, Sweden, and Canada. The firm is looking to exploit that discrepancy through bets on currencies or on short-term interest rates, according to a note distributed by the firm. It is betting that the pound will appreciate versus the dollar.

The U.K. might be a surprising choice, acknowledges Francesco Garzarelli, an economist at Goldman in London.

"A lot of people still see [the U.K.] as a basket case, but we have a more constructive view," he says. "We think [interest] rates are going to normalize a bit quicker than the market expects."

Of course, whether investors are feeling fearful or optimistic will continue to play a major role in currency moves. Dubai's attempt last week to postpone debt payments caused currencies to gyrate, benefiting those viewed as havens like the yen and the U.S. dollar.

Even as investors attempt to discern the next moves by central banks, they will have to watch the broader picture. For a currency to thrive when policy makers raise rates, investors must believe the economy is sturdy enough to withstand such a move.

Contracts that incorporate expectations about benchmark interest rates in Europe indicate a hike could come there in September, says Alan Ruskin of RBS Greenwich Capital, while in the U.K. and Japan such contracts suggest it is still more than a year away.

Meanwhile, investors are confident the Fed will have raised interest rates by 0.25 percentage points by next November, with a smaller chance it could happen as early as August, according to contracts connected to the federal-funds rate.

The earlier investors bet on such shifts, the more sizable the potential profits. Investors who anticipated that central banks in Australia and Norway would be among the first to raise interest rates reaped handsome rewards. Australia started hiking rates early last month and Norway followed suit.

Mr. Papamarkakis of North Asset Management still favors the Australian dollar and the Norwegian krone in the ahead, despite the recent gains. "People might be surprised at how things continue to move from here," he says.

But David Rolley, who manages a portfolio of global bonds at investment firm Loomis Sayles, says he is avoiding the Australian dollar,.

"Everybody owns Australia and so do all of their relatives," he says. "If anybody ever decides to sell, it's going to be volatile."

Looking for the exit

As the crisis recedes, policy moves will have a major impact on currencies

U.S. Federal Reserve

Seen as one of the last major central banks to raise rates.

European Central Bank

Small steps taken to roll back some easing measures. Unclear if higher rates will follow.

Bank of Japan

Announced new measures to inject money into the economy Tuesday.

Reserve Bank of Australia

Raised rates three times in 2009. Latest hike came Tuesday.

Photos: Associated Press; Agence France-Presse/Getty Images; Bloomberg News

Revised application for Nan Shan expected

By Ellen Sheng

HONG KONG—**Primus Financial Holdings** Ltd. and **China Strategic Holdings** Ltd. said they will send a revised application to Taiwan regulators "hopefully next week" on their proposed $12.5 billion acquisition of **American International Group** Inc.'s Taiwan life-insurance unit.

Taiwan's Investment Commission last week turned down the consortium's application to acquire the unit, Nan Shan Life Insurance Co. The commission said the group didn't provide enough information about its funding sources or its investors.

Critics of the deal have expressed concern that the consortium is backed by mainland Chinese money.

Taiwanese law prohibits mainland Chinese investment in the island's financial institutions. Foreign companies are considered Chinese-owned if Chinese investors have a 30% stake in them.

Robert Morse, chairman and co-chief executive officer of Primus, said on Wednesday that the group has been working "hand in glove" with regulators to provide all the additional information requested on the group's business plan, its sources of funding and its capital structure.

The consortium also has been spending time with management, employees and agents to reassure them about their sources of funding and their intention to make a long-term investment in Taiwan, Mr. Morse said.

Another factor complicating the acquisition's approval is the consortium's agreement to sell a 30% stake in Nan Shan Life to **Chinatrust Financial Holding** Co. in exchange for a 9.95% stake in Chinatrust.

That deal, announced only weeks after Primus and China Strategic won the bid for Nan Shan Life, sparked concern about the consortium's long-term commitment to the business.

Mr. Morse and China Strategic Chief Executive Raymond Or emphasized Wednesday the two transactions are separate.

The consortium doesn't plan to include information about a Chinatrust deal

They said that the resubmitted Nan Shan Life application won't include anything about Chinatrust.

"Chinatrust is a secondary transaction and not in the picture yet," Mr. Or said.

Regulators haven't asked for additional information about Chinatrust, he said.

Regulators could choose to approve the acquisition of Nan Shan Life by the consortium, and either approve or not approve the Chinatrust transaction, Mr. Morse said.

Chinatrust's network would complement Nan Shan Life's business nicely, he said, but it isn't necessary.

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Wind power winds up China's competitors

Beijing has big plans for wind power as a renewable energy of the future, but China may already have too much of a good thing.

At home, China's power-transmission infrastructure can't handle the intermittent electricity supply already being generated from wind. It is estimated that 30% of last year's wind-power supply went unused.

Despite that bottleneck, Beijing wants more. The government hopes to see 100 gigawatts of wind-power capacity installed in China by 2020, a more than eightfold increase from 2008, making wind the third most important source of power in China behind coal and hydroelectric. Even by next year, the amount of wind-power equipment being made will be twice what the nation can install, according to the central government.

That has implications abroad. Foreign rivals are raising concerns that Chinese producers will export their excess capacity at cheap prices. Wind power was one of the industries cited last week by the European Chamber of Commerce in China as likely to stir trade tensions.

The Chinese companies have already proven to be formidable competitors. Domestic producers have seen their Chinese market share blossom to nearly 60% collectively. That is largely at the expense of such foreign players as **Vestas Wind Systems**, **Gamesa** and **General Electric**, which were dominant there just five years ago.

Critics suggest an implicit "Buy China" policy has helped the domestic players, but it is clear, too, that they have competed strongly on price. Data from analysts IHS CERA show Chinese equipment suppliers sell their turbines for almost two-thirds the price of foreign competitors.

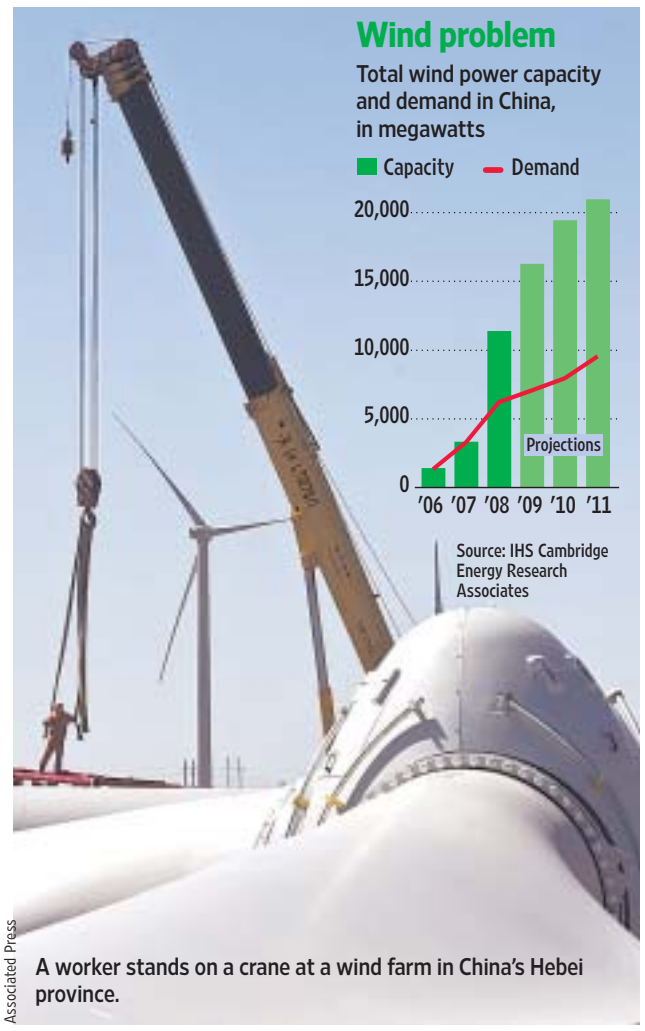
Not surprisingly, the number of players in the wind-power equipment sector has mushroomed, drawn by talk of greater reliance on renewable energy. Four companies accounted for more than 90% of the wind-turbine-making market in 2004. Now, 12 industry leaders account for about the same proportion, according to IHS CERA. About 70 smaller businesses also are active.

As local players duke it out, consolidation is likely. That will likely benefit the domestic industry leaders: **Sinovel Wind**, **Xinjiang Goldwind Science & Technology** and **Dongfang Electric**.

All this is happening in a market that already is uncertain as governments debate climate-change initiatives. Potential problems have already marred a United Nations wind-power credit program.

The world may want China to commit to a greener future, but it is rapidly finding out that the push can come with some unwanted side effects.

—Andrew Peaple



Associated Press

A worker stands on a crane at a wind farm in China's Hebei province.

Woes leave Dubai down but not out

Finally, a glimmer of light. **Dubai World** has belatedly provided some details on its planned debt restructuring.

But for investors, the situation still resembles a darkened room, where only the outlines of the furniture are visible. And for Dubai itself, there is more than just $26 billion of debt at stake. The emirate's credibility as a financial center and its ability to continue financing good businesses, such as ports operator DP World, will hinge on how it handles the crisis.

Tuesday brought some good news. The $26 billion of debt affected is less than the $60 billion feared last week. Yet questions linger. The restructuring process will include Dubai World itself and property developers Nakheel World and Limitless World. Analysts at Barclays Capital have identified $8.5 billion of debt at Nakheel, $5.5 billion at Dubai World and $1.2 billion at Limitless. That still leaves $10 billion unaccounted for.

The history of debt restructurings suggests investors won't be scared away from Dubai forever.

If Dubai handles the painful process sensibly, it will emerge chastened from the experience, but not necessarily a spent force. The infrastructure built during the bubble won't vanish. The emirate now has to prove its status as one of the most Western-friendly places to do business in a region still attractive for its oil wealth.

—Richard Barley

CEO's departure reflects state of disarray at GM

Few can rival **General Motors** at reinventing the wheel—as metaphor, that is.

Earlier this year, the wheels finally came off the auto maker. It wheeled out a new chief executive, former Chief Financial Officer Fritz Henderson. His subsequent wheeling and dealing to offload subsidiaries such as Adam Opel foundered. Now, with his resignation announced late Tuesday following a board meeting, it looks as if Mr. Henderson has been thrown under the wheels.

Divisions between Mr. Henderson and the board had appeared over issues such as Opel and the prospects for a GM relisting.

In one sense, Mr. Henderson's departure is encouraging. With its balance sheet cleansed, the priority at GM was cultural change. Yet the company's senior ranks remain the preserve of veterans. Product-quality issues remain a concern, and the company, like **Chrysler**, has started ladling out incentives to customers in a troubling echo of Detroit's past.

Hiring new blood is, to be fair, pretty hard when major shareholder Uncle Sam is capping pay offers. Clearly, GM's road to recovery is long.

One company that can take encouragement is **Ford Motor**. It knows its rival is in disarray. That should mean less competition for customers and, with a GM initial public offering looking farther off than ever, less competition for investor dollars.

—Liam Denning

WEEKEND JOURNAL. ASIA

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MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 9608.94
▲ **0.38% or 36.74**

Stocks rose on hopes that the Bank of Japan's additional monetary-easing measures may prevent a sharp strengthening of the yen for now. Nippon Steel climbed 2.7%.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**132.32**	166	1	0.61
Mtshbsh Fin Grp	**106.93**	486	–11	–2.21
Nippon Yusen	**89.66**	254	–7	–2.68
Mitsui Chem	**79.05**	208	–8	–3.70
Toshiba	**60.29**	479	6	1.27

Kospi
South Korea 1591.63
▲ **1.40% or 21.91**

The index rose for a third straight session as worries over Dubai World's debt problems faded. Daewoo Securities added 3.1%, and KB Financial Group rose 2.2%.

Stock	Volume in millions	Close	Change Net	Change %
Dongyang Steel	**23.17**	1,315	–65	–4.71
DaewooElec	**21.87**	200	10	5.26
Baemyung Metal	**13.56**	1,040	30	2.97
Uni Chem	**12.46**	760	–35	–4.40
Hynix Semi	**9.69**	19,200	1,150	6.37

CBN 600
China 29348.28
▲ **1.09% or 316.39**

Banks and real-estate developers led shares higher. A news report said a state investment fund will forgo dividends from the biggest state banks to boost their capital.

Stock	Volume in millions	Close	Change Net	Change %
China State Con	**470.37**	4.94	0.05	1.02
Zijin Mining	**404.94**	11.31	0.59	5.50
FujianQingshPaplnd	**266.21**	5.28	0.48	10.00
ChinaMinshengBkg	**263.98**	7.77	0.07	0.91
ChinaVankeCoA	**226.68**	11.75	0.25	2.17

ASX 200
Australia 4762.36
▲ **0.92% or 43.37**

Shares took their lead from rallies in offshore stock and commodities markets. Newcrest Mining advanced 5% and Lihir Gold rose 4.2% after gold prices surged.

Stock	Volume in millions	Close	Change Net	Change %
Telstra	**68.71**	3.49	0.05	1.45
Elders Limited	**67.04**	0.16	unch	...
Goodman Grp-Stpl	**58.69**	0.58	–0.02	–3.36
Boart Longyear	**48.02**	0.32	unch	...
Panaust	**45.63**	0.56	0.03	4.67

Asian stocks in the news

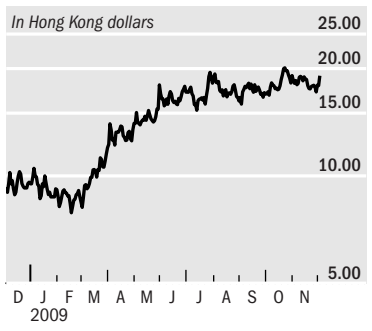
Shimao Prop
Hong Kong HK$15.50
▲ **6.0% or HK$0.88**

The developer reported January-November contracted sales rose 91% from the year-earlier period.

	Price-to-earnings ratio			**41**
	Earnings per share, past four quarters			**0.38**
	Dividend yield			**1.5**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**0.7%**	3.2%	58.5%
Shimao Prop		**6.0%**	10.6%	199.8%

China Res Land
Hong Kong HK$19.10
▲ **6.6% or HK$1.18**

Citigroup raised the stock's target price after the developer reported strong property sales.



	Price-to-earnings ratio			**36**
	Earnings per share, past four quarters			**0.53**
	Dividend yield			**0.7**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**0.7%**	3.2%	58.5%
China Res Land		**6.6%**	6.3%	105.4%

VTECH Hldgs
Hong Kong HK$84.00
▲ **6.6% or HK$5.20**

Citigroup rated the stock as a buy, saying the firm should capture resumed U.S. consumption.

	Price-to-earnings ratio			**19**
	Earnings per share, past four quarters			**4.53**
	Dividend yield			**5.3**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology		**0.6%**	0.4%	79.2%
VTECH Hldgs		**6.6%**	28.7%	281.8%

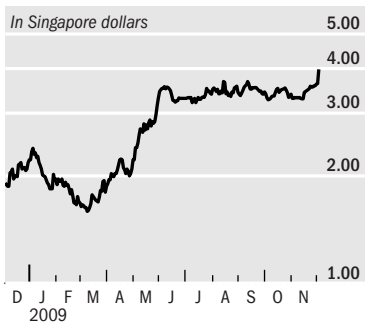
Country Garden
Hong Kong HK$3.12
▲ **7.6% or HK$0.22**

January-November contracted sales exceeded the developer's 2009 target.

	Price-to-earnings ratio			**21**
	Earnings per share, past four quarters			**0.15**
	Dividend yield			**1.1**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**0.7%**	3.2%	58.5%
Country Garden		**7.6%**	4.3%	100.0%

UOL Group
Singapore S$3.98
▲ **9.6% or S$0.35**

Brokers raised their target prices on the stock. OCBC said UOL is an "undervalued gem."



	Price-to-earnings ratio			**12**
	Earnings per share, past four quarters			**0.34**
	Dividend yield			**1.9**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**0.7%**	3.2%	58.5%
UOL Group		**9.6%**	12.1%	108.4%

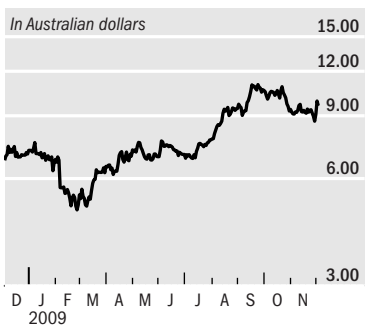
Nippon Yusen K.K.
Japan ¥254
▼ **2.7% or ¥7**

The shipper set the offer price for its planned new share issue, prompting share-dilution concerns.

	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-15.90**
	Dividend yield			**1.6**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs		**0.5%**	1.7%	57.9%
Nippon Yusen K.K.		**-2.7%**	-7.6%	-44.1%

Lend Lease Group
Australia A$9.61
▼ **2.9% or A$0.29**

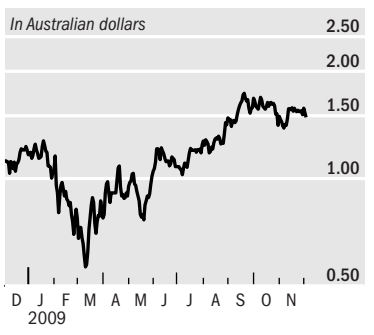
Shares fell on profit-taking after Tuesday's 9% jump.



	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-1.65**
	Dividend yield			**1.7**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**0.7%**	3.2%	58.5%
Lend Lease Group		**-2.9%**	4.9%	42.4%

Mirvac Grp
Australia A$1.49
▼ **2.9% or A$0.04**

The stock slid as credit fears weighed on the Australian real-estate sector.



	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-0.65**
	Dividend yield			**1.3**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**0.7%**	3.2%	58.5%
Mirvac Grp		**-2.9%**	-3.6%	32.5%

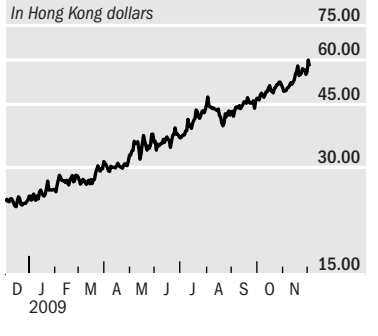
Nintendo
Japan ¥20,570
▼ **3.1% or ¥650**

Sales of the Wii game console during the U.S. Thanksgiving holiday fell from the same period in 2008

	Price-to-earnings ratio			**13**
	Earnings per share, past four quarters			**1623.50**
	Dividend yield			**4.7**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds		**-0.6%**	0.5%	26.2%
Nintendo		**-3.1%**	-6.7%	-33.2%

Hengan Intl Grp
Hong Kong HK$57.60
▼ **4.0% or HK$2.40**

Shares fell on profit-taking after they reached their highest level of the year on Tuesday.



	Price-to-earnings ratio			**40**
	Earnings per share, past four quarters			**1.45**
	Dividend yield			**1.6**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds		**-0.6%**	0.5%	26.2%
Hengan Intl Grp		**-4.0%**	2.2%	140.0%

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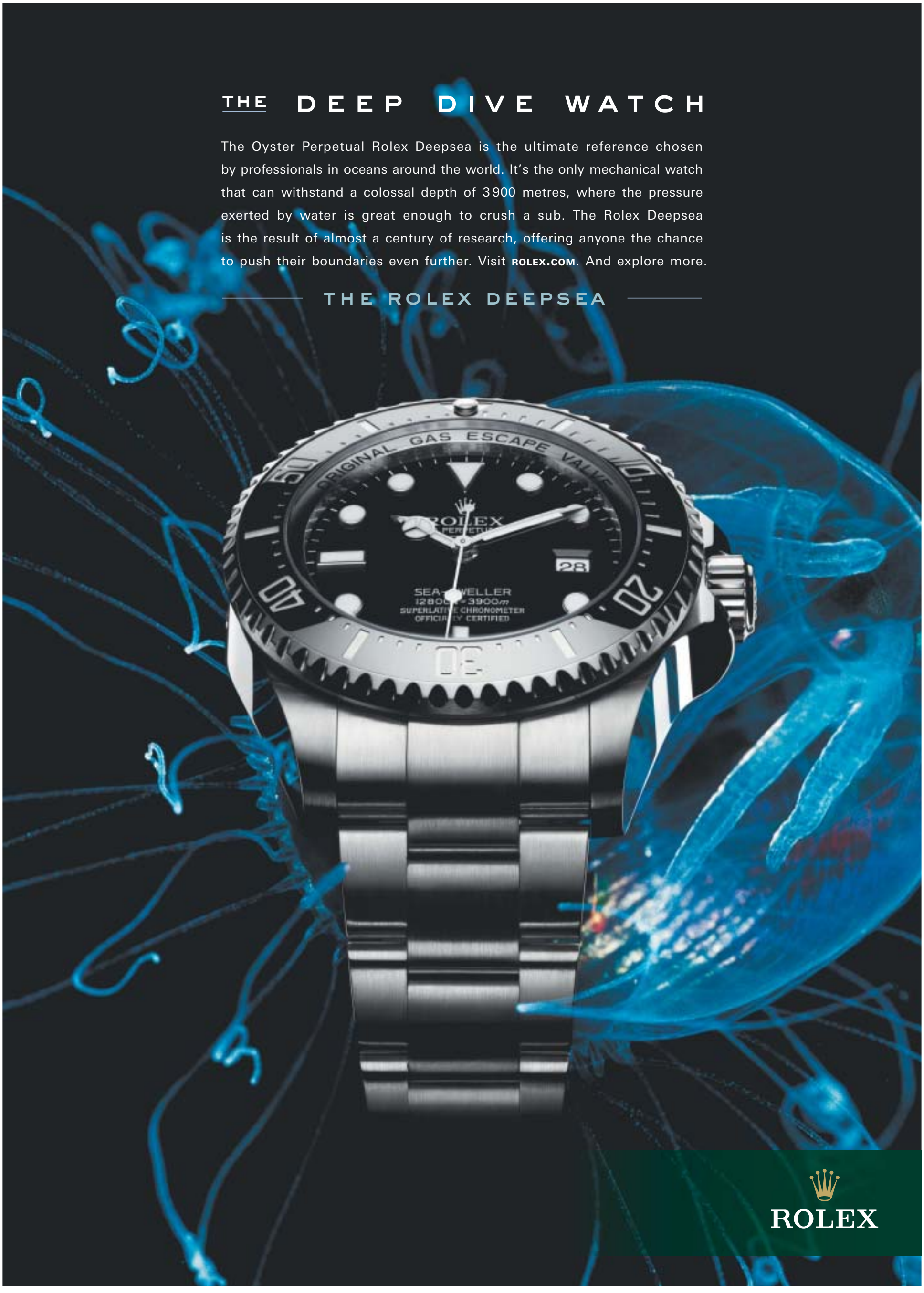

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